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U.S. May Deploy Part of SDI by '93, Weinberger Says

Compiled by Our Staff From Dispatches

LONDON — The United States may be able to deploy the first elements in its Strategic Defense Initiative within six years, Secretary of Defense Caspar W. Weinberger said Sunday.

Mr. Weinberger also said the United States would seek to renegotiate the 1972 anti-ballistic missile treaty with the Soviet Union when Washington was ready to deploy elements of the SDI system, popularly known as "star wars."

His statements in a television interview with the British Broadcasting Corp. came soon after sources in Washington told The New York Times that the administration was likely to defer a decision on adopting an interpretation of the ABM treaty that would allow extensive SDI testing.

Secretary of State George P. Shultz, while reporting "very considerable progress" in developing SDI systems, said Sunday in a Washington television interview that there was no "early deployment decision in the offing."

Mr. Shultz said that, as far as early deployment was concerned, "it's not possible to make any such decision this year or next year."

SDI research has yielded considerable progress, Mr. Shultz said, even under the "restrictive" interpretation of the ABM treat.

"But it is clear enough now, given the progress that has been made, that you'd be able to pursue the program much more effectively, and perhaps only, if a different pattern of testing is permitted," he said.

Mr. Weinberger said he did not know when the first phase of SDI could be deployed, but he estimated "somewhere in the 1993 to 1994 range."

"Everybody agrees that when we're ready to deploy we would have to take advantage of the provisions of the ABM treaty, which are in the treaty itself, which call for revisions or changes or additional permissions not now in the treaty," he said.

Article 14 of the treaty states that "each party may propose amendments to this treaty."

On the same television program as Mr. Shultz, however, the Senate Armed Services chairman, Sam Nunn, Democrat of Georgia, said an interpretation by the administration of the ABM treaty to allowing advanced testing of SDI "would be a very bad mistake."

Mr. Nunn urged consultation with the U.S. allies and Congress. *(AFP, UPI, IHT)*

■ ABM Decision 'On Hold'

Michael R. Gordon of The New York Times reported earlier from Washington:

The Reagan administration, under intense pressure from Congress and the Western allies, is likely to put off a decision on whether to adopt a view of the ABM treaty that would allow extensive testing of some types of space-based defense systems, administration officials said Saturday.

"Everything is on hold until we get more information," one official said. He said the administration needed to evaluate whether an adequate testing program for space-based systems could be conducted under the existing, strict interpretation of the treaty or whether a broader interpretation was needed.

At a meeting Tuesday at the White House, Mr. Reagan expressed interest in adopting the broad interpretation without making an announcement about the change, officials said.

Reports about that meeting prompted a strong response from members of Congress and others.

Mr. Nunn told Mr. Reagan in a letter Friday that such a move, without consultation with Congress, would lead to a "constitutional confrontation."

Diplomats from Western nations have also asked the administration not to make such a decision.

Mr. Shultz met Friday with Mr. Reagan and reportedly argued that a broad interpretation could trigger a backlash that would hurt SDI.

Some conservatives have pressed Mr. Reagan to formally adopt such an interpretation.

A detailed account of the White House meeting was published Fri-

See SDI, Page 3

Article V

1. Each party undertakes not to develop, test or deploy ABM systems or components which are sea-based, air-based, space-based, or mobile land-based.

2. Each party undertakes not to develop, test or deploy ABM launchers for launching more than one ABM interceptor missile at a time from each launcher, not to modify deployed launchers to provide them with such a capability, not to develop, test or deploy automatic or semi-automatic or other similar systems for rapid reload of ABM launchers.

WP

Key part of the ABM treaty.

Alberto Marquez/The Associated Press

Manila newspapers with headlines about the end of the cease-fire.

Cease-Fire Expires in Philippines; Communists Reject New Peace Talks

By Michael Richardson
International Herald Tribune

MANILA — The 60-day cease-fire between Communist guerrillas and government troops ended Sunday, but there was no immediate resumption of violence.

In a statement, the rebels rejected peace talks, but government and military officials said they believed the Communist insurgent movement was divided over whether to resume negotiations with the administration of President Corazon C. Aquino.

Teofisto Guingona Jr., the government's chief negotiator, said that if the rebels "spurn further negotiations, they spurn the desire for the people and many of their own members to pursue peace."

He said the government planned to approach the Communist rank and file to try to work out new cease-fires on a regional basis. National or regional peace talks could be held even without a truce, he said.

[A Philippine military spokesman said regional commanders had been told to be "extra careful" after the expiration of the truce at midday, Reuters reported. Troops were on alert, the spokesman said, but there were no orders to attack the rebels.

[The government unveiled a program to distribute 9.7 million hectares (24 million acres) of land to millions of farmers. The National Democratic Front, the political arm of the New People's Army, which announced Saturday that the rebels would not extend the cease-fire or open new negotiations, had claimed a government lack of faith in pursuing land reform as a reason.]

Colonel Ilonesto Isleta, a military spokesman, said intelligence from within the Communist Party's central military commission indicated that there was a split between those who wanted to pursue armed struggle and those advocating negotiations.

He said it was believed that the split was "very serious and could lead to factional fighting."

Other officers, interviewed in Manila and at Davao, in the southern Philippines, said the idea of offering regional cease-fires could widen divisions in the rebel move-

See MANILA, Page 2

Hostage Makes Appeal To Avert Execution

Israel Rejects Ultimatum to Release Arabs

Compiled by Our Staff From Dispatches

BEIRUT — A U.S. hostage said in a videotape released Sunday by his kidnappers that he and three other captives would be killed Monday if Israel failed to release 400 Arab prisoners.

Shimon Peres, the Israeli foreign minister, rejected the ultimatum.

"Israel cannot and will not act according to ultimatums," he said in Jerusalem. "If someone has a suggestion, please approach Israel in an orderly way." His statement appeared to allow for the possibility of diplomatic initiatives about the Arab prisoners.

Islamic Jihad for the Liberation of Palestine has warned that it will kill the four hostages, educators at Beirut University College who were abducted on Jan. 24, unless the Arabs are released.

Mr. Peres said that a proposal on Saturday by Nabih Berri, the leader of the Shiite Moslem Amal militia, to exchange a captured Israeli Air Force navigator for the 400 Arab prisoners was not made through proper channels.

"There are things that should not be conducted publicly or through the media," Mr. Peres said.

Israel has indicated previously that it would not exchange jailed guerrillas for hostages in Lebanon.

The American hostage, Alann Steen, 47, made his appeal in a videotape delivered to a Western news agency in Beirut on Sunday.

"If our lives are important to America, it must order Israel to

See BEIRUT, Page 2

Reuters

Alann Steen, an American hostage, in videotaped message.

U.S. Dealt With Radicals In Iran, Israeli Told Bush

By Bob Woodward and David Hoffman
Washington Post Service

WASHINGTON — An Israeli official involved in the sale of U.S. arms to Iran told Vice President George Bush last summer that "we are dealing with the most radical elements" in Iran because "we've learned they can deliver and the moderates can't," according to a memorandum written by Mr. Bush's chief of staff.

The description of the Iran effort provided by the Israeli, Amiram Nir, contradicts the assertion by President Ronald Reagan that he was dealing with Iranian moderates in sending the weapons to Tehran. Mr. Nir was an aide to Shimon Peres when Mr. Peres was the prime minister.

The memo quotes Mr. Nir as saying that Iranian officials were trying "to squeeze as much as possible" out of Israel and the United States "as long as they have assets."

The allusion presumably is to the American hostages believed to be held in Lebanon by pro-Iranian extremist groups. This interpretation would undermine Mr. Reagan's repeated assertions that he was not engaged in trading for hostages. Two Americans have been released since the sales were made.

Mr. Bush's only known response to Mr. Nir's comments was to direct that a copy of the memorandum describing the meeting with Mr. Nir be sent to Lieutenant Colonel Oliver L. North, the National Security Council aide who ran the secret Iran operation.

What Mr. Nir told Mr. Bush, according to the memo, also undermines the Israeli government's repeated claims that it played only a minor and passive role in the dealings with Iran.

Mr. Nir is quoted as saying of the Israelis: "We activated the channel; we gave a front to the operation, provided a physical base, provided aircraft."

A source said Saturday that Mr. Bush recently told the special review board headed by John G. Tower, a former Republican senator from Texas, that one of his concerns after the Nir meeting was

See BUSH, Page 3

The Associated Press

SEOUL PROTEST — Lee Min Woo, second from right, the 71-year-old president of the New Korea Democratic Party, and his supporters are stopped by police as they march to a government anti-torture rally. Page 2.

Disarray at the White House

As Control Wanes, Reagan Has Trouble Keeping Staff

By Steven V. Roberts
New York Times Service

WASHINGTON — With Ronald Reagan in the final two years of his presidency, his White House has started to lose the distinctive aura of confidence and control that contributed heavily to the many achievements of his first six years in office, according to White House insiders and Reagan supporters outside the government.

This sharp shift in the White House mood has already eroded the president's ability to retain and recruit top-flight talent in his personal staff operation, the officials say. And it is threatening to undermine Mr. Reagan's ability to prepare and promote a legislative program that has already been significantly reduced in scope.

The disarray, the officials agree, has been caused by a series of setbacks that compound one another, from the Democratic triumph in the November elections to the draining distractions of the Iran arms affair and the health of Mr. Reagan, who had prostate surgery last month.

In addition, many Republicans voice doubt about their party's ability to keep the White House, or recapture the Senate, in 1988.

"There is no question that there is some concern," said a senior White House aide, who, like many others, spoke on condition of anonymity. "We really need to re-energize the Reagan presidency."

Another high White House official added: "If I had to pick a single word to describe things around here it would probably be 'passivity.'"

A former White House staff member who remains close to the operation said: "I feel let down, and I don't think I'm alone. One of the things that attracted us to Reagan was that he restored our sense of pride, of confidence, of viability. Every single bit of that is in the process of being lost."

Marlin Fitzwater, the president's new spokesman, acknowledged that the White House seemed to be on a "plateau." But he added, "The impression of forward motion within the administration will be evident very soon."

He said the current sense of White House lethargy resulted from "the time it takes for the president to recuperate from his operation, and for the Iran investigation to get started."

"The president is eager to engage," Mr. Fitzwater added, "and the president's staff is preparing an aggressive program for the spring."

To others close to the Reagan presidency, the problems in the White House are more profound, and as evidence they point to the steady exodus of experienced people from important staff positions. In recent days two of Mr. Reagan's top advisers have announced their departures: Mitchell E. Daniels Jr., his assistant for political affairs, and Patrick J. Buchanan, the director of communications.

Mr. Fitzwater himself replaced Larry Speakes, who left Feb. 1 for a Wall Street job. It was learned last week that Thomas C. Dawson, the top aide to Donald T. Regan, the chief of staff, would be nominated as ambassador to Costa Rica.

Alfred H. Kingon, another aide to the chief of staff, is also becoming an ambassador, and a third Regan assistant, David L. Chew, has started exploring outside opportunities.

Rumors were flying so fast last week that James C. Miller III, the budget director, had the White House announce that he was not, in fact, leaving his post.

Officials disagree over what will happen to the White House in the months ahead. Mr. Buchanan says recruitment will be no problem.

"I really think," he said, "that a tremendous number of people out there really would give up everything in a second and work for the president of the United States, particularly this president. It's an opportunity to be a part of history."

But others say recruitment is already a problem, noting that no

See REAGAN, Page 3

LATE NEWS

Canadian Freed By Iranians

TEHRAN (AFP) — Philip Engs, a Canadian engineer arrested here in December, was released Sunday, Western diplomats announced.

Mr. Engs, employed by the Schlumberger oil exploration group, was arrested when he arrived in Iran.

INSIDE TODAY

British investors have a Third Market, for small companies. Personal Investing, Pages 9-12.

Europe Again Worries U.S. Might Cut Troops

By Joseph Fitchett
International Herald Tribune

PARIS — The possibility that the United States will remove some of its troops from Europe, a possibility that has periodically roiled the Western alliance, is again starting to concern European leaders, officials and strategists say.

Manfred Wörner, the defense minister of West Germany, acknowledged at a defense symposium in Munich a week ago that he was "preoccupied with the risk of a partial U.S. drawdown" of troops from NATO.

Mr. Wörner's concern reflected developments in the United States, where some strategists are calling for troop cuts at a time of increasingly rancorous debates over defense spending, protectionism and trade balances.

European officials have privately expressed concern that the new Democratic-controlled Congress, alarmed by the U.S. budget deficit, might seize on troop cuts in Europe as a means of making quick trims in defense spending at a time when the Reagan administration, weakened by the Iranian arms sales affair, could not block such a move.

"We are potentially in a situation where a bid to pull troops would be harder to defeat than ever before," said John C. Cartwright, the defense spokesman for the alliance of Liberals and Social Democrats in Britain.

The possibility of U.S. troop cuts has arisen and receded so often that the topic has come to be widely regarded as a routine refrain in alliance discussions. So it was a striking coincidence that two prestigious European newspapers, on the same day last week, reported a shift of thinking in Europe.

The Frankfurter Allgemeine Zeitung in West Germany and Le Monde in France said that West German officials no longer rule out possible U.S. cutbacks — for example, a phased withdrawal of 100,000 troops along lines advocated by Zbigniew Brzezinski, the national security adviser to President Jimmy Carter.

Mr. Brzezinski, in congressional hearings last month, called for this redeployment so U.S. troops could be more quickly sent to Central America, the Middle East or the Pacific.

Officials in Bonn are particularly alarmed because 250,000 of the approximately 325,000 U.S. ground troops in Europe are stationed in West Germany, which is the central front between the forces of the Warsaw Pact and the North Atlantic Treaty Organization.

But, according to officials and strategists interviewed last week in Britain, France and West Germany, the new concern is shared by all European countries.

"A wave of apprehension has swept into Europe about the U.S. troops, even though there is no specific political development to warrant it," said an aide to Lord Carrington, the secretary-general of NATO. The aide added: "Feelings of unreliability all around are feeding the concern."

The response to this apprehension, while still unformulated, is

See TROOPS, Page 3

AP

Manfred Wörner

Chinese Arrive in Moscow To Reopen Border Talks

The Associated Press

MOSCOW — A Chinese delegation arrived Sunday in the Soviet Union for the first talks in nine years on a border dispute between the two countries.

The Tass press agency said the delegation, headed by Qian Qichen, a deputy foreign minister, was met by the head of the Soviet negotiating team, Igor Rogachev, also a deputy foreign minister.

The talks, to begin Monday, center on waterways and islands along the Ussuri and Amur rivers dividing northeastern China and Soviet Siberia.

The talks will be watched as a gauge of success of recent Soviet efforts to improve relations with China.

Mikhail S. Gorbachev set the stage for the resumption of talks in a speech in July in Vladivostok. He called for an end to the antagonism between the Soviet Union and China and indicated the Kremlin was ready to discuss its position on the border question.

China and the Soviet Union have disputed the border since the early 1960s, with fighting along the Ussuri and Amur rivers in 1969.

Negotiations on the border opened in 1969 and continued with several breaks until 1978, but without apparent progress.

Zaire in the AIDS Fight: Silence Ends, Tests Start

By James Brooke
New York Times Service

KINSHASA, Zaire — At the AIDS project in Mama Yemo Hospital here, Zairian technicians hunch over computers, tracking the health histories of thousands of local victims of the disease.

In homes across Kinshasa, television screens lighted up recently with graphic images from a public health special produced by the National Committee to Combat AIDS.

In pioneering research here, about 12 Zairian and European carriers of the AIDS virus are undergoing the first human tests of a potential AIDS vaccine.

At the Ministry of Public Health, officials speak openly of a project to use American and West German technical skills to screen Kinshasa's blood banks for blood contaminated by the AIDS virus.

Zaire, long one of Africa's most secretive countries about acquired immune deficiency syndrome, is beginning to treat the disease like any other public health menace.

According to surveys, 5 percent to 8 percent of Kinshasa's adult population, or at least 100,000 people, are infected with the AIDS virus. More than 25 percent of the city's prostitutes have the virus. At Mama Yemo, about 15 new AIDS cases are detected each day.

"We are facing a grave and serious problem, and we should look at it in a cold and serious way," said Dr. Ngandu Kabeya, Zaire's public health commissioner.

Mr. Ngandu underlined Zaire's new attitude toward AIDS when he readily allowed a correspondent to make a rare visit to the AIDS research project at Mama Yemo, considered the largest such project in Africa.

Called Project SIDA, after the French acronym for AIDS, the project employs about 15 doctors — a mix of Zairians, Americans and Europeans — and 15 Zairian technicians. The research, which started in 1984, is largely financed by U.S. sources, the national Centers for Disease Control and the National Institutes of Health.

'We are facing a grave and serious problem, and we should look at it in a cold and serious way.'

— Dr. Ngandu Kabeya, Zaire's public health commissioner

AIDS is an incurable disease that cripples the immune system, leaving the victim susceptible to some infections and cancers. It is caused by a virus that spreads through sexual intercourse or exchanges of blood, as in shared hypodermic needles.

In the United States, most of the

See AIDS, Page 2

Reluctantly, West German Brings Longevity to News Talk Show

By James M. Markham
New York Times Service

COLOGNE — If Werner Höfer had had his way, he would never have become the most famous television personality in West Germany.

As a young radio journalist 35 years ago, he put together a Sunday news talk show in Bonn in which four foreign correspondents and one German journalist discussed a topic of the moment.

From the outset, "Der Internationale Frühschoppen" — in the Rhineland the word means a pre-lunch glass of wine — was a success and even drew kind words from Konrad Adenauer, the flinty chancellor. On Aug. 8, 1953, Mr. Höfer was invited to have his program broadcast live on television from a Düsseldorf exposition.

Although a helicopter clattered overhead and bored camera operators panned onto the Rhine for visual variety, the director of West Germany's first channel embraced Mr. Höfer after the show, proclaiming: "Today a television star was born!"

"But I reacted as a typical German," Mr. Höfer recalled, relaxing in his modernistic glass-walled residence by the Rhine. "Typical German. I said it was a radio program and that it has nothing to do with television, which is about pictures, action, and movement."

His objections were swept away. Today, at the age of 74, Mr. Höfer is still host to what is probably the longest-running live talk show in the history of television — a program that draws about five million West German viewers every Sunday and at least three times that if its radio audience and television viewers in East Germany and Switzerland are included.

The program's format is rooted in the Germans' postwar anxieties and self-consciousness that have not altogether vanished over the years. It is difficult, for example, to imagine that millions of Britons, Frenchmen or Americans would loyally tune in to hear a handful of foreigners, sometimes mangling the language, talk about the world.

In the early years, Mr. Höfer ritually included journalists from the three "victorious powers," the United States, Britain and France, knowing that their views would be of interest to Germans emerging from the trauma of defeat.

Mr. Höfer argues that it is not so much a "damaged self-confidence" that keeps Germans watching between noon and 12:45 as it is curiosity about the world that runs strong in a nation that has many neighbors and lives from exports.

It is difficult to imagine that millions of Britons, Frenchmen or Americans would loyally tune in to hear a handful of foreigners, sometimes mangling the language, talk about the world.

Yet the German viewers also clearly enjoy watching foreigners as they alternately sail through or flounder on the complexities of the German language, prodded along by Mr. Höfer, who mixes floridly ornate questions with brisk interruptions but manages to put even his most tongue-tied guests at ease.

Mr. Höfer bemoans the low quality of German spoken by most American correspondents here and has less than a dozen American regulars on his show. He gives the highest linguistic marks to Soviet journalists, who started accepting his invitations five years ago.

"Before, they used to give the most extraordinary excuses, like they had to go to their daughter's baptisms," he said, lifting his trademark bushy white eyebrows. "But now they accept right away, without even checking with the embassy, or if they can't come they give real excuses."

The Soviet participants often arrive with clippings from Pravda or lists of points they hope to make during the program. They are usually outshone in spontaneity by Hungarian and Polish correspondents, who were the first Communist journalists to break into the Frühschoppen ranks.

The most conspicuous absentees are journalists from official Chinese publications and from East Germany, where the program is very popular.

A newspaper addict, Mr. Höfer pegs each program's theme to the week's most compelling international development. This sometimes involves switching gears at the last moment, but the renown that comes with being on the show and a respectable $450 fee usually guarantee a low refusal rate.

On a Saturday night in 1961, the construction of the Berlin Wall dictated the program's theme, and, as Mr. Höfer recalled, the participants concurred that the Americans would have to knock down the wire barrier "even though we knew that might be the beginning of World War III."

The open-ended format and wine on the table encourage lively and sometimes fractious discussion. At the time of the Indian invasion of Goa in 1962, an Indian journalist tried to assault a Goanese participant, earning him the nickname of the "Goa constrictor." Yet during the 1967 Middle East war, an Arab and an Israeli shook hands at the end of the program.

Since Frühschoppen became a television show, Mr. Höfer has never missed a Sunday, although once in 1976, stranded on the North Sea island of Sylt, he moderated the program by telephone. When he tried to take a summer break, viewers protested so vehemently that he gave up the idea. After 35 years, does he think of retiring and giving up Frühschoppen?

"When the wine glass shakes in my hand or when I can't remember the things that I want to say or the names of the guests," he answered. He pointed at the ceiling, adding, "But this depends on a higher authority."

At Least 43 Dissidents Are Released by Soviet

By Gary Lee
Washington Post Service

MOSCOW — In the largest release of Soviet political prisoners in 30 years, 43 dissidents have been freed from labor camps, prison or exile in the Soviet Union, according to Andrei D. Sakharov.

The release, granted by a Feb. 2 decree of the Presidium of the Supreme Soviet, has occurred over the past week, Mr. Sakharov said by telephone Saturday. He said that his list was compiled largely from individuals who had called him and thus may be incomplete.

Among those freed were several persons whose cases Mr. Sakharov had adopted in his struggle on behalf of Soviet political prisoners.

According to unofficial estimates, there are at least 1,000 political prisoners in Soviet prisons or camps. The Soviet leader, Mikhail S. Gorbachev, told a French Communist newspaper last year that there were "about 200" people imprisoned for crimes against the state, at least some of whom are believed to be prisoners of conscience.

The release appears to be the largest of its kind since millions of persons imprisoned during Stalin's era were freed by Nikita S. Khrushchev in the 1950s.

The releases come as Mr. Gorbachev continues his campaign for openness and economic reforms. On Saturday, the government published a draft law giving Soviet work collectives more freedom in decision-making and investments.

Some of the names of the released prisoners were included in a letter Mr. Sakharov, a dissident physicist, sent to Mr. Gorbachev in January 1986. Others were included in publicized pleas Mr. Sakharov has made to Soviet leaders since his own release from exile in Gorky.

Those freed included Kirill Popov, a human rights activist sentenced for disseminating human rights information; Sergei Grigoryants, a Moscow literary critic charged with anti-Soviet activity related to his work on an underground human rights bulletin; and Yuri Shikhanovich, a dissident mathematician and an editor of the underground journal Chronicle of Current Events.

The group also included Roald Zelichonok, a Leningrad Jew sentenced for seeking Western assistance to emigrate, and Zoran Popadyuk, Danilo Shumuk and Iosif Terelya, sentenced for human rights or religious activism in the Ukraine.

Yelena G. Bonner, Mr. Sakharov's wife, said most of those released appeared to come from labor camps in the Perm region of the Ural Mountains.

She said the released prisoners were each given a document by camp or prison authorities saying that they had been granted freedom by a special decree of the Supreme Soviet, the Soviet Union's highest legislative body.

The status of Sergei Khodorovich, Anatoly Koryagin, Genrikh O. Altunyan and Valery Senderov is still unclear, Mrs. Bonner said. They have been promised freedom.

Mr. Shikhanovich, Mr. Khodorovich and Mr. Koryagin were prisoners who Mr. Sakharov mentioned in a written plea to Mr. Gorbachev for amnesty last year.

A Jewish human rights activist, Iosif Begun, and a Christian activist, Alexander Ogorodnikov, are among the prominent Soviets still imprisoned.

The new draft law applying to Soviet work collectives, if adopted in its present form, would represent a rare relaxation of the Soviet Union's rigidly centralized industrial economy.

The Soviet press agency Tass said that under the new law, work collectives would be "full-fledged masters of their enterprises and will independently decide practically all matters related to the production and social development of a mill or factory."

The draft law has been distributed for nationwide comment, Tass said.

It established the following rough guidelines for the functioning of the cooperatives:

- The director of the collective and all other managers would be elected at a general meeting or conference of collective members. Directors' terms are for five years, and subordinate managers serve for two or three years.
- The collectives would pay salaries and research and development costs for production from a fund created by the collective from profits.
- Soviet enterprises would be allowed to develop direct ties with companies from capitalist and developing countries to create joint enterprises and encourage technology transfer.
- The law should also give a group of private citizens the right to start and manage a factory or enterprise.

Palestinians at the Iranian Embassy in Beirut call for an end to the siege of the camps.

Dispensation Sought to Eat Flesh

Agence France-Presse

BEIRUT — The 20,000 Palestinian refugees trapped and reportedly starving at the besieged camp of Burj al-Brajneh south of here have asked their religious leaders for special dispensation to eat human flesh, according to camp spokesmen.

The camp has been under siege for more than 10 weeks by militiamen of the Shiite Moslem Amal movement, who have been fighting Palestinian guerrillas. Escaped refugees have reported dire conditions, with little food, no electricity and little shelter from shelling.

The camp's ruling committee sent a message to a Western news agency here saying it had asked Sunni and Shiite Moslem leaders for a *fatwa*, or special religious law permitting them to eat human flesh.

The message said they had asked for a law "authorizing besieged Palestinians to eat, for their own survival, the flesh of those who no longer had the strength to live."

"We have no alternative as there are no cats or dogs left," it added.

A Shiite religious leader on Sunday condemned the plea by starving Palestinians. Sheikh Mohammed Mehdi Shamseddin, deputy chairman of the Shiite high council, said the request for such authorization was "demogogic and intended to provoke certain Lebanese parties."

[France appealed Saturday for an end to the suffering in Lebanon's camps, Reuters reported from Paris. "The French government, which has not ceased calling for an end to fighting in Lebanon, expresses its anguish at the inhuman fate inflicted on refugees," the Foreign Ministry said in a statement.

[The appeal was issued after a spokesman for the Palestine Liberation Organization at the United Nations confirmed that a group of residents of the Burj al-Brajneh camp had sought authority to eat human flesh.]

One Palestinian died at the camp Thursday when a group trying to pick fruit from an orchard came under mortar and tank fire. Two more were wounded and another three captured.

Medical Team Held in Africa Goes to Paris

The Associated Press

PARIS — Ten French medical workers, held hostage for nearly two weeks by Somali rebels before being released, have returned to France.

The six women and four men from Doctors Without Borders, a humanitarian organization, were turned over to French officials in Addis Ababa, Ethiopia, on Saturday afternoon, then flown on a French military aircraft to Orly airport south of Paris.

An unidentified Djibouti citizen also was released with the French men and women in Addis Ababa.

Assesa Woede, head of the European desk in the Ethiopian Ministry of Foreign Affairs, said his government had arranged the release of the hostages "through peaceful dialogue in line with the longstanding friendly relations that existed between Ethiopia and France."

He would not say where the hostages were held or give details about their release.

The freed hostages, smiling and looking healthy, said before leaving Addis Ababa that they did not know where they were held — whether it was Somalia or Ethiopia — but said they had been treated well.

The 10 medical workers were kidnapped Jan. 23 from the Tug Wajale refugee camp in northern Somalia.

■ 2 Italians Arrive Home

Two Italian technicians, held for nearly six weeks by an Ethiopian guerrilla group opposed to the government of Lieutenant Colonel Mengistu Haile Mariam, arrived home Saturday, United Press International reported from Rome.

Seoul Police Arrest 740 In Protests

By John Burgess
Washington Post Service

SEOUL — Police said Sunday that they were questioning 740 people arrested in Seoul in three hours of street confrontations in which riot police used tear gas to disperse thousands of anti-government protesters.

Demonstrations occurred Saturday in at least three other major South Korean cities, Pusan, Taegu and Kwangju. Dissidents said the rallies were intended as nonviolent memorials for Park Jong Chol, a 21-year-old student who died last month after what the government has acknowledged was torture by the police.

The government had banned Saturday's rallies, charging that they were meant to create social unrest and eventually to overthrow the government.

The relative ease with which the police broke up the memorials underlines that the government remains firmly in charge when the fight with its opponents goes to the streets.

But Kim Dae Jung, an unofficial leader of the opposition party, called the day's events a victory for his side.

Action in Seoul on Saturday centered on a prosperous shopping and office district around Myongdong Cathedral, seat of the archdiocese for South Korea's two million Catholics.

Rows of riot police in helmets and fatigues sealed off the cathedral. In general, they allowed only priests and nuns to pass through the lines to attend a memorial Mass inside.

Despite threats of arrest, closure of nearby subway stations and bus stops, and other efforts at discouragement, crowds of protesters turned up at intersections and sidewalks around the cathedral to try to gain entry.

The police officially put the number of protesters at 2,000, while dissidents put their numbers in the tens of thousands. About 5,000 riot police were arrayed against the protesters.

Following the rally, scores of police who had surrounded the homes of dozens of dissident leaders to prevent them from leading the rallies withdrew.

BEIRUT: *U.S. Hostage Appeals to Avert Executions*

(Continued from Page 1)

release the 400 Palestinians as soon as possible — that is, Monday as a maximum," he said.

"We also tell America that if it commits any stupidity, we will be prone to be killed," he said. "Besides, Americans in the whole world will be the victim of our administration's stupidity."

The other kidnapped educators are Robert Polhill, 53; Jesse Turner, 39; and Mithileshwar Singh, 60, a visiting professor of finance. Mr. Singh is a native of India who holds resident alien status in the United States.

Despite the immediate Israeli rejection of the demand, there are precedents for large-scale release of prisoners. Six Israeli soldiers were traded for 291 Syrian prisoners of war in a July 1984 exchange of combatants captured during the 1982 Israeli invasion of Lebanon. Israel also released 20 Syrian civilian prisoners at the same time.

In May 1985, Israel exchanged 1,150 Arab prisoners for three Israeli soldiers held by the radical Popular Front for the Liberation of Palestine-General Command.

When militant Lebanese Shiites hijacked 40 Americans aboard a Trans World Airlines jet a month later, Israel eventually released more than 700 Lebanese detainees.

Another extremist group holding other U.S. and French hostages, the Revolutionary Justice Organization, asserted earlier Sunday that Terry Waite, the Anglican Church envoy, has been used to find suspected terrorist hideouts for a U.S. military attack on Lebanon.

The pro-Iranian group said in a statement that the targets for attack had been pinpointed by a "signal-sending wireless detector fitted on Waite's body."

Although reports on two Beirut radio stations Saturday said that Mr. Waite had been released, he remained missing Sunday.

The Revolutionary Justice Organization statement, delivered to the independent Beirut newspaper An-Nahar, was accompanied by a Polaroid photograph of Edward A. Tracy, 56. The group claimed his abduction Oct. 21.

The statement charged that the United States planned air and sea landings in two residential districts of West Beirut to seize prominent leaders of the pro-Iranian Hezbollah, or Party of God, and exchange them for foreign hostages.

The communiqué did not elaborate on Mr. Waite's role in the alleged plan nor did it identify the group that has held the envoy since he disappeared in Beirut on Jan. 20. Mr. Berri said Saturday, without elaborating, that he expected Mr. Waite to be released shortly.

The Revolutionary Justice Organization accused the predominantly Christian command of the Lebanese Army of "collaborating with the Americans" and said that the United States was seeking support from Britain and France for the operation.

On BBC television Sunday, Caspar W. Weinberger, the U.S. defense secretary, denied that the United States was planning a military strike to aid hostages held in Lebanon. The United States has a large naval battle group in the eastern Mediterranean. *(AP, Reuters)*

■ Israel Seizes Ship

Jonathan C. Randal of The Washington Post reported from Jerusalem:

An Israeli warship has intercepted a coastal ship and Israel said that its 50 unarmed passengers were Palestinian guerrillas bound from Cyprus to Lebanon with forged documents.

Admiral Avraham Ben Shoshan, the Israeli Navy commander, said on Israeli radio Saturday that the 600-ton ship Maria R, flying a Honduran flag, was detained Friday as it was about to land at Khalde, south of Beirut.

The ship was taken to an undisclosed Israeli port, where the passengers and Egyptian crew were being questioned, he said.

The admiral said the Palestinians belonged to the mainstream Fatah faction of the Palestine Liberation Organization and were part of an increasing effort to send guerrillas back to Lebanon from Cyprus.

MANILA: *Cease-Fire Expires*

(Continued from Page 1)

ment and cause defections to the government side.

They said it would be part of a counterinsurgency strategy including offers of amnesty, land and other assistance to Communist supporters who surrendered.

Some foreign and Filipino analysts said, however, that they believed the military was exaggerating differences within the Communist movement to instill confidence in the civilian government and the public.

In a statement Saturday, the three chief Communist negotiators blamed the government for the breakdown in the talks, which were suspended Jan. 23.

The statement, which the Communist negotiators called an open letter to the Filipino people, said they would return to the negotiating table only on four conditions.

The Aquino government, they said, would have to show its determination to institute basic change, to control and reorient "the fascist" armed forces, to work for a genuine settlement of the insurgency and to recognize the National Democratic Front as a political entity.

Government officials said the administration was standing firm in its insistence that any negotiations must take place within the framework of the constitution.

Spanish Businessman Freed by Separatists

United Press International

EIBAR, Spain — A businessman kidnapped two months ago by Basque separatists was found chained to a tree but in good physical condition after an anonymous caller contacted police.

The authorities said Jaime Caballero, 44, the owner of a paper factory, was found Saturday near the town of Eibar, 215 miles (345 kilometers) north of Madrid. He said he had been treated well by his captors, the Basque separatist organization ETA.

AIDS: *In Study in Zaire, Computer Tracks Thousands of Victims of Disease*

(Continued from Page 1)

victims have been homosexual men or intravenous drug users, and the sexual partners of people in these two groups. Four percent of the cases have been attributed to viruses spread through heterosexual intercourse.

AIDS is believed to be epidemic in many African countries, particularly in central Africa, and is believed to be spread predominantly by heterosexual transmission here.

"What we can do here that we can't do in the U.S. is follow thousands of AIDS victims," said Dr. Robert W. Ryder, the American director of the project.

In addition to having access to a wide population of AIDS victims, Dr. Ryder said wages here were low enough to permit the tracking of thousands, a task that would be prohibitively expensive in the United States.

Drawing largely on the patient population that passes through the 2,000-bed hospital, Dr. Ryder's team is compiling study samples of hundreds of people who have the AIDS virus but not the disease.

The study groups are in three categories: AIDS carriers, AIDS carriers who are pregnant, and "discordant" partners, couples in which one partner has AIDS and the other does not.

The team hopes to detect the risk factors that cause a healthy carrier to come down with the disease.

"According to some theories, a little syphilis or a little gonorrhea can activate the virus," Dr. Ryder said.

By studying a large sample of pregnant women, the researchers hope to learn how the disease is passed from mother to baby.

"With the discordant partners, we hope to show that a man who is positive and a woman who is negative can use a condom and avoid contamination," Dr. Ryder said.

He said that the current phase of the research began last fall and that he hoped to announce preliminary results at the Third International Conference on AIDS, scheduled to be held in Washington in June.

In another project, as reported earlier, French and Zairian scientists are conducting the first tests on humans of a potential AIDS vaccine.

The study group is composed of about 12 healthy carriers of the AIDS virus, both men and women. The potential vaccine is designed to prevent them from falling ill with the disease.

In addition to sex and contaminated needles, a major way that AIDS has been transmitted here is by contaminated blood transfusions, often to children who are anemic because they have malaria.

Under a program in negotiation, American health workers would start a screening program for all blood donations in Kinshasa, and West German workers would modernize storage at the blood banks. If approved, the program could start this year.

■ Vatican on Condom Use

The Vatican newspaper L'Osservatore Romano branded as absurd on Sunday the practice of distributing free condoms in an effort to halt the spread of AIDS, and urged an end to homosexuality to control the disease, United Press International reported from Rome.

WORLD BRIEFS

Punjab Party Official Quits in India

CHANDIGARH, India (UPI) — Harbans Singh Ghuman, vice president of the governing Akali Dal party in Punjab state, resigned Sunday, but Chief Minister Surjit Singh Barnala said he would not disband the party, as ordered by Sikh high priests.

"I have neither resigned from the chief ministership nor dissolved the Akali Dal," Mr. Barnala said, denying reports he had agreed to the priests' demands. "There is no question of surrendering."

The officers of the Akali Dal and those of rival splinter groups were ordered last week by the priests to resign their posts and disband their organizations so they could be reunited in a new religious party.

Paris to Send More Troops to Chad

NDJAMENA, Chad (AFP) — France has begun redeploying its forces in Chad, with 1,000 more men expected to be brought in over the next few days, sources said here Sunday.

The reinforcements will bring to about 2,500 the total number of French soldiers helping defend the government of Hissène Habré from Libyan and rebel forces fighting in the north of the country, the sources said.

The French Defense Ministry announced Friday that it was redeploying part of its "deterrent" force previously limited to the area around Ndjamena to two positions in eastern Chad nearer the 16th parallel demarcation line.

2 Cosmonauts Enter Space Station

MOSCOW (Reuters) — The Soyuz TM-2 spacecraft docked with the orbiting space station Mir early Sunday and its two-man crew started preparing for what Western experts expect to be a record stay in space.

Radio Moscow said the TM-2, launched early Friday, performed what was called an unprecedented automatic docking procedure involving several U-turns to reduce speed.

The radio said Commander Yuri Romanenko and his flight engineer, Alexander Laveikin, would spend several months in Mir.

Spanish Conservatives Elect Leader

MADRID (NYT) — Spain's main conservative opposition party has selected a young and little known provincial leader to attempt to overcome the party's internal divisions and lagging fortunes.

In an emergency congress, the party, the Popular Coalition, overwhelmingly elected Antonio Hernández Mancha, 35, as its president to succeed Manuel Fraga Iribarne, who stepped down in December.

Mr. Hernández Mancha is president of the party in the southern region of Andalucia and has had little national political experience. But for many party members, he represents the rejuvenation they say the party needs to challenge the dominance of the center-left Socialist Party of Prime Minister Felipe González.

Antonio Hernández Mancha

Rebels Kill 28 in Sri Lanka Village

COLOMBO, Sri Lanka (AFP) — Tamil separatist guerrillas killed 28 Sinhalese villagers in an attack Saturday night on a village in eastern Sri Lanka, a government spokesman said Sunday.

The state-run radio said the security forces intercepted a separatist radio message that said the attack, the second on a Sinhalese village in the area in three days, had been personally ordered by the leader of the Liberation Tigers of Tamil Eelam, the main Tamil militant group.

A government spokesman said that Tamil guerrillas invaded the village of Aranthalawa late Saturday night while the villagers were sleeping and slit the throats of 28 people, including 10 children, bringing the death toll in the two attacks to 43.

For the Record

The ex-wife of one of Europe's richest men, Baron Hans Heinrich Thyssen-Bornemisza, is being held in Vaduz, Liechtenstein, at the request of the Swiss authorities, police said. The Vaduz police chief, Gerald Batliner, said Baroness Denise von Thyssen was taken into custody Friday, but declined to provide details. (AP)

Israeli police filed criminal charges Sunday in Jerusalem against four leftist Israelis for meeting with representatives of the Palestine Liberation Organization in Romania in November. (UPI)

Correction

A United Press International dispatch in Thursday's editions reported incorrectly that a default judgment had been overturned in a libel suit by a California businessman against a Soviet newspaper and two Soviet export companies. A federal judge in California released on technical grounds Soviet funds that had been frozen by a previous court order.

Fans and Foes of Bull Killing in Ring Take Battle to Portugal's Parliament

International Herald Tribune

LISBON — Proponents and foes of killing bulls in arenas are preparing for a parliamentary battle Monday, when debate opens on two opposing bills on the sport of bullfighting.

António Maria Pereira, a government deputy and president of the Lisbon chapter of the International League for Animal Rights, said that the ruling Social Democratic Party would offer a bill on animal rights that incorporates the ban imposed 58 years ago on killing bulls in arenas.

A dissident Social Democratic deputy, João Malaio Correia, backed by a number of opposition deputies, has offered a bill that would allow bullfighters to kill bulls in the ring, as do bullfighters in Spain.

Mr. Correia, from Ribetejo, Portugal's most famous bull-breeding region, contended that half a million Portuguese go to Spain to watch this type of bull fighting each year. Legalizing the killing of bulls, he contended, would be good for tourism.

The emphasis in Portuguese bullfighting is on horsemanship. The event ends when a group of men called *forcados* wrestles the bull to the ground. The animal, usually wounded by spear thrusts, is later killed in a slaughterhouse.

DOONESBURY

AMERICAN TOPICS

An Operating Manual For Congressmen

A spiral-bound handbook of advice for new congressmen tells how to attain high visibility at high risk (joust with the press, introduce major bills independently), low visibility at high risk (maneuvers within the party, unauthorized disclosures to the press), high visibility at low risk (work at securing high committee posts and other leadership positions) and low visibility at low risk (settle for lesser committee posts, introduce amendments instead of independent bills).

The book, "Setting Course: A Congressional Management Guide," is published by the American University Center for Congressional and Presidential Studies and the Congressional Management Foundation. First printed in 1984, its new edition went to all 435 members of the House of Representatives, The New York Times reports. It is based on interviews with scores of congressmen, both veteran and first term, and their staffs.

The handbook warns the congressional neophyte that managing his own office is "the road to disaster" and that the job should be left to administrative assistants. It further advises against hiring all those who worked on the election campaign *and bringing them to* Washington: "Their skills are not necessarily transferable to the Hill office, and this usually results in massive turnover after the first 90 days."

Short Takes

A man in Hastings, Michigan, was acquitted of negligent homicide in the deaths of two crash victims because they were not wearing seat belts, in violation of state law. "There's no question he caused the accident," said Jim Fisher, the lawyer for the motorist, Jeffrey Smith. "Our argument is that death would not have resulted had they been following the law."

"Of course they're useful, Phyllis Cerf Wagner, a New York advertising executive, says of computers. "For example, I have my entire personal telephone book on it. But it goes beyond that: they're taking the place in our emotions that cars used to have. People who have computers at home talk and feel about them the way they used to talk and feel about cars."

Neck braces can be decorative and distinctive, says Dr. J. DeWitt Fox of Los Angeles. At a convention of orthopedic surgeons in San Francisco, he displayed neck braces decorated with silks, furs and feathers. He himself was wearing a brace of imitation mink set off with rhinestones.

Eleanor Pennington, a New York Times reader, spotted a hand-lettered sign in the rear window of a battered old car driven by a man of about the age to have two offspring in college: "Columbia + Harvard = $33,100."

Notes About People

After **Elliot Richardson's** Washington law firm accepted the Marxist government of Angola as a client, rightists staged a protest in front of the firm's office and several wrote Mr. Richardson to express their displeasure. His reply to one such letter: "As a twice-wounded soldier who has been appointed by four presidents to nine positions of trust and responsibility, I would have thought it obvious that any service I might render to another country must also be consistent with the interests of my own. Your assumption to the contrary is insulting and contemptible."

Larry Speakes, who has left the White House for the Wall Street investment firm of Merrill Lynch, told The New York Times in a farewell interview, "The press conference in its present form is in danger of

AP

Larry Speakes

outliving its usefulness because of the fact that it is boiled down to an East Room extravaganza, and the questions do not come in a coherent fashion and stay with a subject and explore the depth of the president's thinking."

Abbie Hoffman, 50, a 1960s radical still going strong, reflected: "If I wanted to convince people that I could faith-heal them, I'd have me a jet plane by now. But I want to convince them that they have the power as people to come together and fight city hall. And this is very hard."

John Mueller, author of the 1985 book on **Fred Astaire's** technique, "Astaire Dancing: *The Musical Films*," recalled in a Washington Post interview: "I interviewed Astaire when I was just starting out on the book, and he wasn't at all concerned with the fact that his work was being written about. He wasn't discourteous. He just doesn't care about his old movies. He cares about what he's doing today and tomorrow. The man doesn't have a nostalgic bone in his body."

—ARTHUR HIGBEE

Integration Rose in '70s as Blacks Moved to Suburbs, Study Finds

By Martha M. Hamilton
Washington Post Service

WASHINGTON — Neighborhoods across the nation became more integrated during the 1970s, reversing an increase in racial separation the decade before, according to a study by the Urban Institute, an independent research group.

The rise in integration was largely attributed to the movement of black families to the suburbs as their incomes rose.

"The growing tendency towards more segregated living patterns, which has characterized most of the postwar period, has been reversed," the study said.

"While housing markets remain highly segregated today," it added, "barriers to integration appear to be breaking down."

Researchers analyzed census data for metropolitan areas in 11 states: Alabama, California, Georgia, Illinois, Iowa, Louisiana, Massachusetts, North Carolina, New York, Ohio and Texas.

The study was carried out by Ann B. Schnare, director of the Urban Institute's Public Finance and Housing Center, and Scott McKinney of Hobart and William Smith Colleges.

The study found that the proportion of blacks living in census tracts that were more than 90 percent black increased to 38.6 percent from 34.8 percent between 1960 and 1970 but fell to 31 percent in 1980.

The proportion of whites living in all-white neighborhoods — those with populations that were less than 1 percent black — fell to 57.2 percent in 1980 from 64.6 percent in 1970 and 70.7 percent in 1960.

The study also found a shift by black families out of low-income census tracts. The proportion of blacks residing in those tracts dropped to 64 percent from 80 percent between 1970 and 1980.

National legislation prohibiting discrimination in housing was enacted in 1968. That, the study said, probably helped accelerate the movement into integrated neighborhoods in the 1970s.

It also said evidence suggests that "the black population became increasingly divided into 'haves' and 'have nots.'"

"As a result," it said, "those blacks who remain in highly segregated neighborhoods may have fewer prospects for mobility. Since blacks, like whites, are now distributing themselves on the basis of income, segregation by class may be on the rise."

Ms. Schnare said that increased integration reflected the move to the suburbs by blacks rather than the movement of middle-class whites to renewed inner-city neighborhoods. Other studies, she said, have shown that the relative income of cities in relation to their suburbs in the 100 largest metropolitan areas continued to decline throughout the 1970s.

'The growing tendency towards more segregated living patterns, which has characterized most of the postwar period, has been reversed.'

— Urban Institute report

■ U.S. Plays Down Attacks

Philip Shenon of The New York Times reported from Washington:

The head of the Justice Department's civil rights division asserted Friday that there had been no increase in racial violence in the United States despite highly publicized racial attacks in suburban New York City and Georgia.

In a speech that infuriated civil rights leaders, the official, Assistant Attorney General William Bradford Reynolds, said *the recent attacks* in Howard Beach, New York, and Forsyth County, Georgia, were isolated events that might best be explained by a breakdown of public education and family values.

The speech seemed designed to counter the charge by Senator Edward M. Kennedy, Democrat of Massachusetts, at a Senate hearing this week that the Reagan administration had "created a climate that encourages discrimination."

Mr. Reynolds, in his speech in Orlando, Florida, to a conference of the Florida Bar Association, said there was no evidence of growing racial tension.

"We have heard a good deal, primarily from the media and from the usual critics of this administration, about how these incidents, and a few other isolated events elsewhere in the country, mark a rising tide of racism," Mr. Reynolds said.

"There has yet to be produced any evidence to back up this bald assertion and, indeed, all the available evidence collected on such matters indicates quite the opposite," he said.

A Justice Department spokesman said Mr. Reynolds based his assertion on informal surveys of federal prosecutors and on the number of civil rights complaints filed with the Justice Department.

The Justice Department's Community Relations Service has found that the number of racial incidents reported to the government jumped to 276 last year from 99 in 1980.

The department spokesman, Deborah Burstion-Wade, cautioned that those numbers included nonviolent incidents, such as individual meetings of the Ku Klux Klan.

"Those figures are open to interpretation," she said. "We don't mean to say that racism isn't a problem. But the figures don't show that there is a resurgence or a tide or a trend towards violence."

In his speech, Mr. Reynolds criticized news organizations for their coverage of the incidents in Forsyth County, Georgia, where two civil rights marches were disrupted last month by the Ku Klux Klan.

In the Howard Beach incident, in December, a black man died after being chased by a gang of white youths. He was killed when he was struck by a car on a highway.

U.S. Is Still Dependent On Pretoria for Minerals

By David K. Shipler
New York Times Service

WASHINGTON — The State Department has told Congress that the U.S. economy and the military remain dependent on South Africa for 10 minerals and other raw materials that were not included in an import ban enacted in October.

In a report sent to Congress last week, the administration asserted that without South Africa, the Soviet Union would be the only source for sufficient amounts of many of the items needed to build jet engines, process steel, refine petroleum and perform other industrial functions.

Even some officials who favor tougher measures against South Africa acknowledge that the United States faces a difficult problem in finding other sources of key items, especially chromium, cobalt, manganese and platinum group metals.

Other crucial items are andalusite, antimony, chrysotile asbestos, industrial diamonds, rutile- and titanium-bearing slag and vanadium.

American vulnerability to disruptions of such supplies is an old concern of officials and private experts. It has also been cited frequently by the administration in opposing economic sanctions against Pretoria.

The sanctions legislation of last fall, which banned many imports from South Africa and was enacted by Congress over President Ronald Reagan's veto, exempts certain strategic minerals.

Chromium is essential in producing superalloys with such corrosion-resistant metals as nickel, cobalt, aluminum and titanium. These are used as components of aircraft engines, such as turbine blades, that are exposed to high temperatures. Chromium is also used in the insulating liners of boiler fireboxes.

Some of the other materials, such as chrysotile asbestos, which is used in rocket and submarine construction, are shipped through South Africa.

"At present," the report said, "Zimbabwe is the only source of this grade of asbestos in the world," and "the majority of Zimbabwe asbestos is exported via the South African ports and transportation system."

According to the Office of Technology Assessment, an agency of Congress, the government could be doing more to finance research and testing that might improve industrial processes as well as develop synthetics.

The Reagan administration tried last year to sell off all the platinum and large quantities of other materials that are held in government stockpiles in case of national emergency.

Congress blocked the move, which was aimed at generating income for budget purposes and was based on the assumption that South Africa would remain the primary source of such items.

■ Warning From Pretoria

The Botswana government said it had received threats from South Africa over the alleged presence of two members of the African National Congress at a conference in Gaborone, the capital, Agence-France Presse reported.

Foreign Minister R.F. Botha of South Africa said later that Pretoria had merely emphasized the "grave consequences" of the presence in neighboring states of "persons who plan violence in South Africa."

A statement from the office of President Quett Masire said Pretoria had telexed the government Friday saying it would act against Botswana for allowing into the country two members of the African National Congress, which is outlawed in South Africa.

The two men were reportedly attending an international aid conference in Botswana last week.

The Associated Press

MARCHERS SUPPORT DUARTE — President José Napoleón Duarte of El Salvador salutes supporters at the National Palace during a march by an estimated 70,000 people in support of tax increases and other measures ordered to revive the economy. Mr. Duarte's governing Christian Democratic Party organized the march.

U.S. to Supply More Stinger Missiles To Guerrillas Fighting in Afghanistan

By David B. Ottaway
Washington Post Service

WASHINGTON — The Reagan administration has decided to increase the number of Stinger antiaircraft missiles provided to the Afghan rebels this year to escalate pressure on the Soviet Union to withdraw its troops from Afghanistan, according to U.S. officials.

The decision comes after numerous reports from the field indicating that the guerrillas are successfully using the weapon, first shipped there late last spring and put into extensive use in battle in October.

U.S. officials said the decision reflected a widely held view within Congress and the administration that the Soviet Union was still not serious about withdrawing an estimated 115,000 troops from Afghanistan.

The administration sent about 150 Stinger launchers last year to the Afghan rebels, according to congressional and other sources. It is not clear how many additional Stingers the administration plans to send to the rebels this year, but one U.S. official said there would be "a major increase."

Initially, the Afghan rebels reportedly had considerable difficulty learning to aim and fire the Stinger. But beginning late last summer, the Central Intelligence Agency arranged for a group of ex-army specialists to train the rebels in camps near the Afghan border.

The source said there had been problems in storing the Stingers and some malfunctions caused by the extreme hot and cold temperatures in the mountains.

A source familiar with the program said the rebels were averaging between seven and eight hits for every 10 Stingers fired, but doubted that they were downing one aircraft per day, as the State Department reported in December.

The source said close control over the rebels was maintained by giving each four-man attack team one launcher and one missile.

For Canada, Sudden Rush Of Refugees

By Robert Pear
New York Times Service

WASHINGTON — Illegal aliens who are not eligible for legal status under the new U.S. immigration law are migrating from the United States to Canada in substantial numbers.

Under the law, which President Ronald Reagan signed Nov. 6, American employers are forbidden to hire illegal aliens. The law also allows illegal aliens to obtain legal status if they they can prove that they have lived in the United States continuously since before Jan. 1, 1982.

But illegal aliens who have arrived *since then will generally not* be allowed to gain amnesty or employment in the United States.

Officials at the Canadian Embassy in Washington, at Canadian consulates across the United States and at Canadian border stations have reported a sharp increase in applications from aliens who wanted to leave the United States and resettle as refugees in Canada.

"Prior to Nov. 1, we had hardly any refugees from the United States, just a trickle," said Kenneth J. Traves, the senior immigration officer at Fort Erie, Ontario, across the border from Buffalo. "It picked up in December, and now we are being inundated."

The number of people arriving from foreign countries and claiming refugee status in Canada rose from 7,113 in 1984 to 8,374 in 1985, then jumped to 18,282 last year, according to officials. The number averaged 1,040 a month in the first half of 1986, then rose to 1,211 in July, 2,276 in October and 3,693 in *January of this year.*

Immigration experts and labor economists predicted that the flow would increase further as the new immigration law took effect and as word of Canada's liberal refugee policy spread through illegal alien communities in the United States.

Most of the migrants are from El Salvador and Guatemala. Along with citizens of 16 other countries where there is civil strife or a Communist government, Salvadorans and Guatemalans receive permits allowing them to live and work in Canada. The permits are valid for one year.

Canadian officials said the same policy temporarily bars deportations to Afghanistan, China, Cuba, East Germany, Iran, Lebanon, the Soviet Union and Sri Lanka, among other countries.

Under a 1980 law, aliens may be admitted to the United States as refugees if they can demonstrate "a well-founded fear of persecution" in their homelands because of race, religion, nationality or political opinion. The United States has excluded many Salvadorans and Guatemalans on the ground that they were economic migrants who wanted to improve their standard of living, but faced no danger of persecution.

Christopher Taylor, director of immigration policy development *for the Canadian government,* said, "We are trying to take more immigrants because there is growing concern about population decline, or negative population growth, in Canada in the next 15 or 20 years."

"But," he added, "the current numbers of refugee claimants are unprecedented. We are not used to turning away large numbers of people at our borders. So we will have to come up with new solutions."

REAGAN: *White House in Decline*

(Continued from Page 1)

successors have been named for Mr. Daniels, Mr. Buchanan, or Mr. Kingon. Many of those appointed recently, such as Mr. Fitzwater and Robert M. Gates, the new director of central intelligence, are the sort of professional government officials that Mr. Reagan once campaigned vigorously against.

Those professionals are in many cases the only options available to the president.

Another sign that concern has been rising within the White House was Nancy Reagan's active involvement in the drafting of the State of the Union message Jan. 27. In the past, she has generally intruded into policy decisions only when she thought things were going badly for her husband.

She has also insisted that the president be shielded from any public questioning about the Iran affair while he is recuperating from his surgery, according to a confidant of the Reagan family.

Some of Mr. Reagan's closest friends are so concerned about the White House situation that they have renewed appeals for Mr. Regan's removal. These friends said that in Republican circles around the country, the belief is spreading that, as one put it, "Don's in the way, he's becoming an impediment" to a fresh start.

But a Reagan confidant reports that the president refused again to dismiss his chief aide, and Mr. Regan still refuses to resign. In explaining the strong emotions that have contributed to Mr. Regan's survival, the friend said, "You've got a lot of pride in here, pride and loyalty."

To some extent, the departures from the White House staff fit the capital's natural rhythms at the conclusion of any two-year election cycle, as some people simply burn out and others seize the chance for a new opportunity elsewhere. Some staff members, like Mr. Speakes, can command top salaries in the private sector.

But Paul Weyrich, a key conservative with close ties to the administration, maintains that an "entirely different dynamic" is now dominating the White House — that the sense of inaction makes the place far less attractive to many officials or potential job-holders.

"It's very clear from the State of the Union, and it's very clear from the initiatives they are taking, that they don't have the kind of agenda where you say, boy, this is going to be exciting," Mr. Weyrich said.

The White House remains a dispiriting place for some officials who remain. "No one knows what's *going on here anymore,*" said a senior aide to the president.

Reuters-UPI

'One of the things that attracted us to Reagan was that he restored our sense of pride, of confidence, of viability. Every single bit of that is in the process of being lost.'

— A former White House staff member

BUSH: *Memo Contradicts Reagan*

(Continued from Page 1)

about the depth of Israeli involvement in the Iran operation.

Mr. Nir met with Mr. Bush on July 29 at the King David Hotel in Jerusalem, and the details were recorded in a three-page memo written by Mr. Bush's chief of staff, Craig L. Fuller.

The Senate intelligence committee's initial draft report on the Iran affair included the text of the Fuller memo, but the State Department requested it be deleted.

A source said the State Department felt that such detailed accounts of high-level discussions should not be revealed, but an administration official said the department wanted the memo deleted because "it showed that Israel was running the operation at the strategic, tactical and logistic level."

A copy of the Fuller memo was obtained by The Washington Post. Mr. Fuller confirmed the accuracy of the document.

The role Mr. Bush played in the Iran arms affair has come under particular scrutiny because of his plans to run for president in 1988 and because he has emphasized his experience in foreign policy matters. Mr. Bush has said he supported the Iran initiative generally, but has refused to provide details about his advice to the president.

Mr. Fuller said the information passed on by Mr. Nir was "far more detailed from an operational standpoint" about the Iran initiative than anything he or the vice president had earlier known.

Despite Mr. Nir's reference to deals with the "radicals," Mr. Fuller said, Mr. Bush "was given assurances by National Security Council officials both before and after the Nir meeting indicating that U.S. representatives were dealing with moderate elements in Iran."

Mr. Bush's meeting with Mr. Nir followed the mission to Tehran in May by the former national security adviser, Robert C. McFarlane.

According to the Fuller memo, Mr. Nir told Mr. Bush there were two levels to the Iran effort: a "tactical" one "to get the hostages out," and a "strategic" one, to build better contacts with Iran.

However, Mr. Nir told Mr. Bush: "They don't believe that we want overall strategic cooperation to be better in the future. If they believed us they would not have bothered so much with the price right now."

Mr. Nir referred to "sequencing," or the connections between arms and hostages. Sources said he was trying to set up deals to steer around the U.S. policy against trading arms for hostages.

The Iranians were unwilling to use their influence to free all the hostages, he said, as the United States had earlier sought, because "they fear if they give all hostages they won't get anything from us." Throughout the dealings, the United States had unsuccessfully insisted that all hostages be released before arms could be delivered.

Mr. Bush said last year that he believed the United States was not trading arms for hostages, but the vice president has avoided opportunities since to repeat that statement, saying only that Mr. Reagan believed he was not making such a trade.

The Fuller *memo depicts the* vice president as simply a listener at the meeting, making no commitments and giving no direction to Mr. Nir.

"The VP expressed his appreciation for the briefing and thanked Mr. Nir for having pursued this effort despite doubts and reservations throughout the process," Mr. Fuller wrote. It is not clear whose doubts and reservations Mr. Fuller was describing.

Sir Rudolf Bing, Bride Missing

The Associated Press

NEW YORK — The former manager of the Metropolitan Opera, Sir Rudolf Bing, and Carolyn Douglass, 47, who were married Jan. 9 on his 85th *birthday, are being sought by* court-appointed conservators of his estate, according to the New York Daily News.

The newspaper reported Saturday that the couple had been missing since a mental competency hearing Jan. 12 in a New York court found that Mr. Bing was senile because of Alzheimer's disease and "unable to make rational decisions." Police said Mr. Bing had not been officially reported missing.

Mr. Bing and Ms. Douglass were married in Arlington, Virginia, two days after they were ordered to appear at the hearing.

U.K. Minister Visits Riyadh

RIYADH — The British defense secretary, George Younger, arrived Sunday for two days of talks with his Saudi counterpart, Prince Sultan bin Abdul Aziz. A plan to set up British industries to offset the cost to Saudi Arabia of a $7.5 billion purchase of military aircraft was expected to dominate the talks.

TROOPS: *Possibility of a U.S. Withdrawal Has Europe Worried Again*

(Continued from Page 1)

likely to involve renewed attempts to prove that Europe shoulders a fair share of the military burden in the alliance. Europeans also will stress their apprehension that a troop cut would "send the wrong signal" to the Soviet Union, implying that U.S. nuclear guarantees for Europe were weakening, according to the NATO official.

A French Foreign Ministry official, who declined to be quoted by name, said that Europeans would argue that it would be counterproductive for the United States to consider a unilateral troop cut because NATO is preparing to open talks with the Warsaw Pact on reducing conventional forces.

But sources expressed alarm at the way U.S. strategic discussions are intertwined with economic grievances.

At the Munich symposium, Richard R. Burt, the U.S. ambassador to West Germany, urged a cut in the agricultural subsidies that help European farmers compete with U.S. grain exporters, and said this money should be spent on defense.

"For the first time, U.S. officials are explicitly linking security and commerce, saying in effect that Europe can have U.S. GIs but only at the price of having U.S. grain, Boeings and other U.S. products," said Pierre Lellouche, an associate director of the Institut Français des Relations Internationales.

"A troop-cut could be a punitive reaction, the kind of emotional, irrational act that politicians are capable of." Mr. Cartwright said.

European sources predicted that any sign of slackening U.S. commitment would undermine the credibility of the U.S. nuclear guarantee to Europe.

"A U.S. troop cut would Finlandize us," said Mr. Lellouche. European governments, whose priority is creating jobs and an economic recovery, would not undertake the extra defense spending needed to fill the gaps left by a partial U.S. withdrawal, he said.

"Europe must decide how much it values its security," Mr. Brzezinski said in a telephone interview from Washington. He added that "I don't think Europeans yet realize the depth and extent of the strategic debate here."

Acknowledging unease over the issue in West Germany, a spokesman for Lothar Ruhl, the deputy defense minister, said, "Any troop departure would give us problems in maintaining forward defense."

In France, a foreign ministry official voiced fears that West Germany would seek accommodation with the Soviet Union if it lost confidence in the United States.

In Britain, Mr. Cartwright said that "to keep the Americans in Europe, we have to cooperate more effectively among ourselves" in Europe.

"And," he added, "we might try to reassure the Americans that they have a free hand to use their Europe-based forces elsewhere in an emergency."

SDI: *Deployment May Start by 1993, Weinberger Says*

(Continued from Page 1)

day in The Washington Times in an article by Gregory A. Fossedal, a fellow at the conservative Hoover Institution at Stanford University in Palo Alto, California, and an advocate of SDI.

Some officials said they believed the material for the article might have been provided to put Mr. Reagan's views firmly on record and make it more difficult for the administration to reverse course.

Adopting the broad interpretation would allow the United States to conduct some "star wars" tests that are banned under the traditional view of the ABM treaty. Most of the Americans who helped negotiate the treaty say a broad interpretation is not valid.

Neither the traditional nor the broad interpretation would allow actual deployment of space-based defenses.

Apart from legal issues, the administration has to sort out whether it needs to adopt the broad interpretation to carry out SDI tests, officials said.

Mr. Weinberger suggested at the White House meeting Tuesday that the broad interpretation was indeed required for this purpose.

Some government experts, however, said further review was needed. They said the planned experiments could be carried out in a way that is consistent with the traditional treaty interpretation.

The broad interpretation holds, in effect, that there is a large loophole in the ABM treaty that allows extensive testing and development of exotic defense systems such as lasers and particle-beam weapons.

Some government experts said the sorts of systems the Pentagon wants to test as part of its plan for early SDI deployment were based on technologies that were known when the treaty was signed and did not fall into this category.

The administration takes a strict view of what types of activities the Soviet Union can carry out under the ABM treaty. It is completing a report that is expected to repeat charges that the Russians have violated some treaty provisions and might have breached others.

Critics say the administration has adopted a double standard by seeking a loose interpretation of some measures that limit space-based SDI tests.

INTERNATIONAL Herald Tribune
Published With The New York Times and The Washington Post

OPINION

For Iraq, Not for Hussein

The fog of battle still swirls over the marshes around Basra. Iraq, loaded with weapons but loath to commit infantry, seems unable to dislodge the Iranians completely from the outskirts of Basra. Iran may yet gain an advantage that threatens America's objective in the war, peace through stalemate. Saudi Arabia, the Gulf states, Turkey, even the Soviet Union all stand to lose by Iranian victory.

America's options are limited. Strict neutrality made sense as long as stalemate prevailed on the battlefield. But the best course for the United States and most countries in the area may now be to tilt toward Iraq and against Iran. Some mix of diplomacy and military aid, by restoring stalemate, could create a climate for settlement.

If Iran can withstand Iraq's brutal bombing of cities and keep on attacking, it might yet capture Basra, force the collapse of the Iraqi army, even advance on Baghdad. That would establish Iran as the dominant power on the Gulf and in OPEC. The mullahs might seek to set up another fundamentalist Shiite regime on Iraqi soil, a bleak prospect for Turkey and Arab states. Nor would Moscow welcome the defeat of Iraq, yet another client that relied on Soviet arms.

The Shatt-al-Arab waterway — literally, the Arab shore — is the eastern border of the Arab world, not just of Iraq. Another Iranian advance would bring the threat of revolution to the Arab states of the Gulf and open them to Iranian blackmail. Even if military action to shore up Iraq were desirable, there seems no practical way to apply it. The carrier Kitty Hawk has been sailing west toward the Gulf, but its 30-plane strike force could do little that the Iraqi air force cannot already do. The carrier force could halt Iranian shipping, an act of war, but for what gain and at what cost?

The United States and its friends in the region urgently need a diplomatic policy for forestalling a decisive Iranian victory. Such a policy might turn on more Western arms and American intelligence for Iraq, but conditioned on Iraq's acceptance of a major Iranian demand — the resignation of President Saddam Hussein. American interest in Iraq need not mean support for Mr. Hussein, an autocrat who recklessly led his formerly prosperous country into this disastrous war. He has used chemical weapons against Iran, in defiance of the Geneva convention that Iraq has signed. If his departure can hasten a negotiated settlement, why not see if it can be arranged?

In this context, Iran might be receptive to diplomacy. Iranians already seem to understand the need for the United States as a counterweight to Moscow. Speaker Hashemi Rafsanjani scorned the bizarre gift of a Bible inscribed by President Reagan, yet also praised his courage, a conciliatory gesture unimaginable a few years ago. Between Bibles and aircraft carriers, the United States needs to find a more subtle way of restoring military balance and engaging both Iran and Iraq in a definition of mutual interests. Somewhere, between handwringing and military threats, Washington and other interested capitals can surely assemble a diplomatic alternative.

— THE NEW YORK TIMES.

Privatized Diplomacy

Day by day, the news exposes a deep and dangerous dimension to the Iran-contra crisis: privatized diplomacy.

Behind the specifics of this Iran deal or that contra payment, there is an underlying pattern. If an American president's foreign policy is thwarted at home, he franchises his diplomacy secretly. He needn't bother to sell his policies to his own people. He needn't bother getting Congress to pay for them. Instead he can promote them by bartering, under the counter, with foreign potentates like King Fahd of Saudi Arabia or the sultan of Brunei.

Worse yet, the money thus raised can be pooled with funds from American oil men or rightist private groups like General John Singlaub's World Anti-Communist League.

Who needs the State Department? Who needs Congress, even?

The Reagan administration's privatized diplomacy first came to light in August 1985, when the White House confirmed that a National Security Council aide was raising funds for the Nicaraguan contras. Lieutenant Colonel Oliver North's activities stirred protests in Congress, even the threat of hearings. But nothing much happened and soon he was all over the globe — chartering Danish ships to send TOW missiles to Iran, persuading Texas billionaire H. Ross Perot to offer ransom for hostages, diverting arms profits to Central America.

Jeff Gerth of The New York Times has brought more privatized diplomacy to light with reports of the 1981 sale to Saudi Arabia of AWACS radar planes and other advanced weaponry. As part of this furiously contested $8.5 billion deal, King Fahd evidently agreed to aid anti-Communist resistance groups favored by the Reagan administration in Afghanistan, Angola and Nicaragua. And from 1983 to 1985 the king saw to it that $30 million was donated to the contras, although it is still unclear who got the money. The highly sophisticated AWACS surveillance planes are not routine weapons but something like the crown jewels of America's arsenal. The sale to Saudi Arabia was the first to a non-NATO customer, so it set a precedent, whetted appetites of other Third World friends and ratcheted upward the Arab-Israeli arms race.

The Saudi deal was the first hot issue to face President-elect Reagan. He discussed it in his first post-election meeting with President Carter, displaying the same tolerance for dictators, if anti-Communist, that has fueled his privatized diplomacy and what has come to be called the Reagan doctrine. The doctrine holds that Americans should provide military aid to "freedom fighters" against leftist regimes.

When he was unable to persuade Congress to lavish aid at the levels he wanted, President Reagan turned to foreign governments to finance his policy desires. Thus the Saudis and the sultan of Brunei have provided funds for Nicaragua's contras. The main patron of UNITA rebels in Angola has been South Africa. It is the authoritarians to whom Mr. Reagan has turned in his crusade for democracy.

There is no sign that the White House has given thought to where this zeal might lead. Where in the United States Constitution is it written that the president can go to foreign governments to evade the congressional power of the purse? Where is it written that he can franchise war-making powers without the slightest consultation? In the AWACS deal, for instance, there is no evidence that anyone in Congress was ever informed of the kickbacks involved.

The remedy is for Congress to close the back door through which a determined president can now drive entire rebel armies.

— THE NEW YORK TIMES.

Other Comment

Strains Across the Atlantic

The Reagan administration is seriously underestimating the damage done to its credibility in Europe by the Iranian arms affair. Any other government caught out in such an inept and thoughtless exercise would have had the good taste at least to have lowered its voice for a while and stopped pretending that it held the answers to all the world's problems.

A period of silence, even of contrition, would have been appreciated. Instead we have had an outbreak of threatening behavior over trade and the reckless bad manners (dressed up as "frankness") of Richard Perle of the Pentagon. West Germany has been told in peremptory terms to extradite two suspected terrorists to the United States regardless of the likely consequences to several West German hostages held in Lebanon, and large parts of the U.S. fleet have been steaming up and down the Mediterranean with no apparent object in view but the flexing of muscle. With magnificent mistiming, the administration also chose last week to try to persuade other members of the economic summit of seven to hold an emergency meeting on terrorism in Rome — a meeting that could have done nothing but excite speculation about some joint operation in Lebanon. Fortunately, the other six had the wit to turn it down flat.

These incidents, individually trivial but collectively disturbing, are evidence of a growing failure of understanding between Europe and the United States. Other indicators come readily to mind.

The danger is that the administration's ill-judged actions will feed an incipient anti-Americanism which has already struck root in several European countries. There are plenty of Europeans who feel that their governments have followed the zigzags of American foreign policy during the Reagan years with a diligence bordering on servility; and it is beginning to rankle. Another two years of this will leave the Atlantic looking wider than ever, and the alliance more dangerously divided. If the president is not to leave that legacy behind, it is time for him to stop taking his allies for granted.

— The Observer (London).

Equilateralism, which holds that the United States and the Soviet Union are morally equal, has the practical effect of weakening an already fractured NATO. Equilateralists influence the British Labor Party and the German Social Democrats. In power, these parties could lead their countries out of the alliance, thereby bringing about an American retreat across the Atlantic. The result might be a Europe under the hegemony of the Soviet Union — or even of a united Germany; a Europe passive before the threat of Soviet muscle, or an armed-to-the-teeth third force.

— The Richmond (Virginia) News Leader.

Vote-share changes in a placid election suggest strong West German feelings on two key issues. Americans should note many West Germans' attraction to environmentalist and neutralist themes. By their gains at the expense of larger parties, the small West German parties draw attention to domestic German issues of continuing international importance.

— The Minneapolis Star and Tribune.

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Westerners at the Court of Czar Mikhail

By Kurt M. Campbell

CAMBRIDGE, Massachusetts — What is Mikhail Gorbachev up to, and why is he inviting all those interesting people to Moscow? Much like Czar Peter the Great, he is summoning Western intellectuals to his Kremlin court.

Peter brought scores of European artisans, sages and shipbuilders to Russia in the late 1600s as part of a quest to "civilize" his backward land. Mr. Gorbachev, too, has invited an eclectic collection of artists, writers, scientists and futurists, to hear their views across a wide range of subjects from strategic defense to spiritual malaise.

The Romanovs were attracted to Western ideas and customs, but Soviet leaders before Mr. Gorbachev have been deeply xenophobic and suspicious of foreign influences. He has broken with this clandestine tradition, leaving himself considerable time in recent months for discussions with a diverse group of visitors, including Alvin Toffler (author of "Future Shock"), James Baldwin, Gary Hart and Peter Ustinov.

To top it off, the Soviet Union has invited several hundred prominent Americans from academia, business, politics and entertainment to a high-visibility conference in Moscow from Feb. 14 to 16. The Council on Foreign Relations has sent a group of former statesmen, including Henry Kissinger and Cyrus Vance, to engage Mr. Gorbachev on issues of arms control. (The guest list includes such unlikely participants as the rock singer John Denver. During Mr. Denver's last visit to the Soviet Union, an overzealous Russian interpreter translated his song "Rocky Mountain High" as "Drunk in the Mountains.")

There is scant precedent in the Communist world for this sort of cultivation of the Western elites. What accounts for the opening?

Before the bloom went off the flower of the Cuban revolution, Fidel Castro entertained poets and revolutionary pirates from throughout Latin America. He met novelist Gabriel García Márquez during this period and reportedly struck up a friendship by swapping fish recipes. However, as Cuba slipped further into the Soviet orbit Mr. Castro lost his tolerance for debate with foreign bourgeois elites.

Perhaps the only modern equivalent of Mr. Gorbachev's meeting with highbrow interlocutors was President John Kennedy's desire to surround himself with intellectuals.

There are several possible motives. First, Mr. Gorbachev may well have given up on the idea of conducting diplomacy through official channels, because of an "anti-Soviet clique" in the United States government; he may have fastened instead on the idea of establishing alternative lines of communication to the White House through respected and renowned intermediaries. Mr. Gorbachev's current strategy of fostering high-level, unofficial contacts with Westerners complements the longstanding Soviet campaign to reach American grass-roots organizations.

There is obviously, too, an element of old-fashioned public relations in all this, arising perhaps from hope that the steady stream of visitors will give legitimacy to a historically insecure Soviet leadership. Indeed, the willingness to grant important foreign visitors an audience with Mr. Gorbachev appears to have at least reinforced Western impressions of Mr. Gorbachev as a forceful and dynamic leader.

Mr. Toffler remarked after his meeting with the Soviet leader: "Gorbachev was witty, amiable, quick, at home with intellectual thrust and parry. Behind his charm stood an impressive, vital figure, accustomed to command." Like Mr. Kennedy's ruminations with intellectuals over cups of clam chowder at Cape Cod, Mr. Gorbachev's musings with Western elites (replete with bowls of beetroot borscht) have won him admiring and sympathetic reviews.

In his zeal to revitalize Soviet society Mr. Gorbachev has looked to the West for new ideas and inspiration. He has demonstrated a certain impatience and dissatisfaction with the advice he has received from underlings. Many bureaucrats laboring within the Stalinist state machinery have failed to meet Mr. Gorbachev's urgent demands for "new thinking."

It is being hoped that his brainstorming with some of the West's best minds will help to percolate creative new ideas from the top of the bureaucracy downward. For instance, senior Soviet planners recently conferred with the American designers of a popular motivation seminar. The Russians are apparently intent on applying these same techniques to boost worker productivity in their inefficient factories.

Some of Mr. Gorbachev's motives are commendable and worthy of encouragement, but there is an unmistakable undercurrent of propaganda to this courtship of foreign intellectuals. The Soviet Union has no doubt designed the coming conference involving several hundred American visitors to highlight the wonders of *glasnost* — openness — hoping in part to make some inroads into American public opinion.

Westerners should strive to keep Mr. Gorbachev's initiatives in perspective. The pilgrimage of intellectuals to the Kremlin is a new wrinkle, but it is a far cry from a wholesale opening up of Soviet society. The exodus by these foreign *shishki* — Russian slang for "big shots" — to Moscow has yet to touch the lives of everyday Soviet citizens. Contact with foreign elites is still reserved for very senior Soviet officials.

Peter the Great's contact with foreign intellectuals helped inspire social, economic and military reforms. It is much too early to tell whether Mr. Gorbachev's fledgling contacts will have an enduring effect on Soviet society at large.

The writer is a fellow at the Center for Science and International Affairs at the Kennedy School of Government, Harvard University. He contributed this comment to The New York Times.

Terror Wins When the Target States Are Divided

By John K. Cooley

DAMASCUS — Viewed in the wisdom of hindsight, the latest international hostage crisis arises from tragic errors of judgment by Western governments — and perhaps, too, by Terry Waite, the vanished Anglican negotiator.

Several conclusions result from two weeks of largely fruitless efforts to discuss the hostages with advisers to Syria's President Hafez al-Assad, and from the confidences of diplomats of West Germany, France and Britain who are suffering through this affair along with Syrians and Americans. First of all, the mistakes of American administrations since scores of U.S. diplomats were held hostage in Tehran in 1979-80 by Ayatollah Ruhollah Khomeini's partisans showed Tehran and its Lebanese Shiite supporters that taking hostages often pays, and pays big.

It has been Iran, and not Iran's ally, Syria, which has profited. Several times since the combined efforts of Syria, Iran and Islamic radicals in Lebanon thwarted the U.S.-led military "peace" operation in Lebanon in 1983, President Assad's men in Lebanon have helped to free individual captives. One was the acting president of American University of Beirut, David Dodge, taken during the Israeli invasion of Lebanon in 1982. Mr. Dodge was freed a year later after President Assad's very energetic personal intervention.

But, as Mr. Assad has said and as an aide reminded me, "Syria has a military presence in Lebanon. It does not govern Lebanon or the Bekaa Valley. The Syrian army is only one armed group present among many."

For a few months the Syrians believed that they were making a substantial contribution to the freeing of other hostages, such as the American clergymen Benjamin Weir and Lawrence Jenco. Then they learned last November, with the rest of the world, that freedom for the clergymen and for American educator David Jacobsen had been bought with secret shipments of U.S. arms to Syria's ally Iran, shipments inspired and augmented by Syria's arch-enemy, Israel.

The Syrians had to choke back their anger against Iran. This country is desperately short of cash, has large debts and badly needs Iran's oil deliveries. That makes coexistence between the Syrian army in Lebanon and the Lebanese and Iranian followers of Ayatollah Khomeini one of the least palatable but foremost factors in Syria's tilt toward Iran in the more than six-year-old Gulf war.

On his previous missions to discuss the hostages, Terry Waite protested that he was acting only out of humanitarian motives. But in effect he was acting for U.S. policy, whether or not he knew about the arms and money payments to Iran by the United States, France, private American contributors or others.

"On each previous trip," said a Lebanese official who has sought to help Syria in its Sisyphean task of trying to stabilize Lebanon, "the kidnappers found that Waite always had something to offer. When he came in January empty-handed, they took him as insurance against the thing they seem to fear most, while, perversely, they also seem to welcome it: an American attack which will plunge the area into flames."

A representative of Abu Nidal's Fatah Revolutionary Council remarked, "We hope the Americans *will* come. We have some disagreeable surprises for them!"

The extremist kidnappers, members of several families involved in past terrorism against the United States, West Germany, Israel and probably France, make demands: that Israel release 400 prisoners in return for the lives of three american and one Indian teacher taken in Beirut, and that West Germany not give the United States the suspected hijacker of a TWA flight and suspected murderer of one of its passengers.

The kidnappers make extreme demands for the simple reason that such demands have worked. Israel traded more than 1,200 prisoners for three Israelis in 1985. The United States, thanks to efforts of men like Lieutenant Colonel Oliver North and Vice Admiral John Poindexter, sent arms to Iran. France, Italy and West Germany swapped hostages on many occasions. One especially shameful example was the trade by Bonn in 1984 of two Libyans prosecuted in West Germany for torturing and murdering an anti-Gadhafi dissident for eight Europeans held in Libya by "revolutionary committees."

Continued U.S. rhetoric about "not dealing with terrorists" now rings so hollow that no one listens. The world has observed France offering loan repayments, if not downright ransom money, to Iran in return for some of its captives in Lebanon.

At present, West Germany is trying to bargain secretly for two of its nationals taken in Lebanon. Bonn is delaying extradition of Mohammed Ali Hamadeh, wanted on a U.S. federal warrant for murder and air piracy in the 1985 TWA hijack.

Soon it may be France's turn again. On Feb. 23, a special Paris court is to begin the trial of Georges Ibrahim Abdallah, the Lebanese prosecuted in the murder of an Israeli diplomat and two American ones, after a bloody campaign of terror in France last year to secure his release.

Whether the U.S. Navy buildup off Lebanon proves to have been a bluff or not, all concerned, and especially Washington, should remember a lesson of five years of hostage crises: Sometimes nations, like people, must deal with terrorists, but unless they deal with them and with the root causes of their deeds together, as allies, they will surely fail, and terrorism will be reinforced again.

The writer is a London-based staff correspondent for ABC News who specializes in his books and reporting on the Middle East and North Africa. He contributed this comment to the International Herald Tribune.

A Show of Strength or of Weakness?

By William Pfaff

PARIS — The American show of strength in the eastern Mediterranean looks very much like a show of weakness. What were three dozen ships, including two nuclear aircraft carriers, and two marine amphibious groups, supposed to do? They could have obliterated Lebanon. They still could. But what were they supposed to do that would be useful?

They could have bombed Moslem Beirut, or camps in the Bekaa Valley, or Beirut airport. (There is talk of Beirut airport as a target. Why Beirut airport?) They could have killed a certain number of people — including, possibly, some of the people they wanted to kill. They would thereby assure the killing of all of the Western hostages in Beirut, and probably of a lot of other Westerners as well.

In the event, having sailed up to Beirut, they are reported to have sailed away again, providing another demonstration of the impotence of U.S. military power when the objective of policy is not a military one.

Someone has convinced policy makers in Washington that to show off the unquestionably impressive American arsenal is effective in itself. At Fort Bragg in North Carolina, when this writer was a young soldier, we used to put on what was called the "mad minute," a demonstration of the firepower of an infantry battalion. It was extremely noisy, blew a lot of clay about, knocked down trees; and so what? Afterward we had to go about stamping out the grass fires, while the visiting VIPs went on to drinks at the Officers' Club.

A show of strength is mere entertainment unless it is strength that can be employed in some rational way. The allied fleet that assembled off Normandy in June 1944 made a very impressive show of strength. It was truly convincing, however, because it meant to land an invasion force to carry out a serious plan by which German defenses were to be broken, German troops on the Cotentin peninsula enveloped and a drive for the Seine and the Rhine begun, which was intended to end with Hitler's hanging. If that fleet had sailed about, and then sailed away, it would have been rather less impressive.

The Sixth Fleet had no comparable plan. Even if its planes had bombed Lebanon, or even — God forbid — if the marines had landed, American authority would have been diminished because neither action could have produced a situation politically or militarily superior to that which now exists. If you think the pacification of Vietnam was fun, wait until you try to pacify Lebanon.

The forces at work in Lebanon function in a different dimension than the Sixth Fleet. Shiite radicalism is driven by a conception of Iran as a "redeemer state" and of Shiite integrism as the way to liberate the disinherited of the world. Groups which call themselves by such names as "the Party of God" or "the Organization of the Oppressed on Earth" are deadly serious about it. "Shows" of force and threats to do the undoable will not work against such people.

What then to do? About the hostages, there is a simple choice. One can make deals for them and pay ransom, as the Reagan administration did to obtain the release of the Reverends Benjamin Weir and Lawrence Jenco, and of David Jacobsen, and as it tried unsuccessfully to do for other captive Americans. This, however, even when successful, motivates terrorists to take new hostages when new concessions are sought.

Or one may take a principled position of making no concessions for hostages, and write off those unhappy people now in terrorist hands as casualties of an undeclared war, or casualties of contemporary history. This requires moral fortitude, and the press and public opinion make the option very difficult.

About Islamic integrism, Western policy has a choice among three general courses. One is passive and prudent, abandoning hostages, minimizing the U.S. or Western involvement in the region, allowing events to take their course, in reasonable confidence that the more extreme forces will spend themselves and that eventually some kind of constructive relationship will again become possible.

The second course would be to resist Islamic radicalism by backing Iraq in the Gulf war and energetically supporting the more moderate governments and forces in the Islamic world. The risk in this, of course, is that the moderates may lose.

A third course would effectively reinforce the second. It is to look once again for a Palestinian settlement, placing pressure on Israel end and bringing the Soviet Union back into negotiations on the future of the Middle East on the assumption that anarchic conditions there frighten Moscow, too, and that the Soviet Union has influence over Syria and the Palestinians.

Washington's shows of military strength conceal a weakness of will and lack of political determination. The Sixth Fleet presumably does not impress the terrorists. It impresses Americans, but that is not what is supposed to happen.

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LETTER

If Hot, Then Chilling

"A Writer's Outrageously Good Fortune" *(Feb. 6)* was depressing. One rules out spoof; one takes for granted careful reporting and faithful editing. So what we got was all there was to get. Leslie Dixon, a Hollywood hack whose success makes her a cultural role model of sorts, is a spectacularly addled mangler of the English language. That she's loose in the land makes it easy to stay indoors. That she's "hot" is chilling.

ARNOLD HERBIGER.
Paris.

Victory Seems Near For Iran

By Jim Hoagland

PARIS — Greed, concern for hostages and hunger for geopolitical glory brought together the Americans, Israelis and Iranian exiles who gave us Irangate. What about the other side? What was in the minds of those in Tehran who lured the Great Satan and assistant Satans into a dialogue that was not at an end when it was exposed? More than weapons to use against Iraq, it turns out, although those were important. The Iranians hiding behind the low-level figures Bud McFarlane and Oliver North met were also testing U.S. reaction to a victory over Iraq that now seems to be within their grasp.

They concluded from those contacts that the United States would accept such a result and not intervene to try to change it, an authoritative source who is in touch with elements of the Iranian leadership informs me.

The prospect that even this war has an end must now be faced, whether it comes in this offensive or later. The tide has shifted decisively in Tehran's favor because of gains on the battlefield, in diplomacy and on the economic front in the past two months.

Instead of concentrating on the daily give and take of turf around Basra, the United States and its allies need to understand what Iran's true objectives are, and how close Tehran is to accomplishing them. Washington must try to avoid the misreadings of Iran that have plagued the United States in the past, with officials not meeting the ayatollahs when they should have (1978) and meeting them when they should not have (1986).

Militarily, the target of the "Karbala 5" offensive that Iran launched on Jan. 9 is the Iraqi army, not the well defended city of Basra. By moving their forces to within mortar range, the Iranians have taken the city hostage without having to accept the heavy losses that would be required to capture and hold it.

The Iranians continue to draw the Iraqi army's best units into bloody encounters against an apparently endless supply of Revolutionary Guards and militiamen. They want to force the Iraqi army into the choice of feeding its best soldiers into a relentless meat grinder, or turning and deposing Saddam Hussein. That is how the war ends for the Iranians, not with the capture of Baghdad or the declaring of an independent Islamic Republic of Basra that could lead to the disintegration of the Iraqi state.

For this strategy of attrition, the most important statistic for Iran in January was not the body count or the number of miles advanced along the front. It was a jump in Iran's oil production to 2.2 million barrels a day, cited in the International Energy Agency's monthly report.

Iraqi air attacks on Iran's oil-exporting facilities and on storage tankers had cut Iran's production to below 1.5 million barrels a day for much of 1986. That sapped Iran's ability to finance its war needs and gave Iraq hope of some respite in the war.

That hope is vanishing. Iran's ability to overcome the damage done by Iraqi attacks on its oil production facilities coincides with this year's higher oil prices and with a new eagerness by Western arms suppliers — understandably no longer cowed by U.S. strictures on selling arms to Tehran — to offer Iran whatever it needs.

Throughout the emirates of the Gulf and in Saudi Arabia, many are beginning to ask seriously the question they had hoped would go away: What happens if Iraq loses the war?

An Arab friend of long standing recounts that as the Iranian offensive has intensified, banks in Bahrain have been shipping their original account records to London for safekeeping and working from copies. Another acquaintance from the area speculates that the United States is moving warships closer to the Gulf to try to stem a growing sense of panic in Bahrain and Kuwait.

This sort of gunboat apology to the Arab supporters of Iraq for dealing with Iran is not likely to be effective. The Iranians have been busy sending their own assurances to the Arab states, including Saudi Arabia, that Tehran will end the war when Saddam Hussein is overthrown and that it is prepared to work with conservative Arab governments to establish a new order in the Gulf region.

Given the bloodthirsty denunciations of their governments that have been shouted by Tehran's Islamic revolutionaries in years past, these rulers are right to harbor strong doubts about the sincerity of such pledges. But with the tide moving as rapidly as it is, they may have no choice soon but to see if they can reach accommodation with Tehran.

The Washington Post.

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: For a Free Ireland

BELFAST — Winston Churchill outlined a Home Rule Bill to a gathering of 6,000 Liberals and Nationalists at Celtic Park [on Feb. 8]. It would create an Irish Parliament that will have control over purely State matters and powers of taxation for State purposes so safeguarded by Imperial control that no unjust levies can be placed on Protestant Ulster. He pledged the faith of the Liberal Government that the Bill would guarantee absolute religious freedom, declaring that any infraction of that pledge by the Parliament in Dublin would be remedied by the Imperial Parliament at Westminster. Then he announced that the time was at hand for England to grant freedom, the boon long sought and fought for by the Irish people. He ended with an appeal to Protestant Ulster to forget the hatreds of the past and to fight for the dignity and honor of Ireland.

1937: The Fall of Malaga

PARIS — General Francisco Franco's forces swept into Malaga [on Feb. 8]. The Mediterranean port was captured by four advancing columns in the course of the morning. General Queipo de Llano, the insurgent leader in southern Spain, entered the city at noon. After the collapse of the defense, the Reds fled in disorder toward Almeria, while Nationalist warships continued to shell the coastline east of Malaga. The fall of Malaga is rated as a decisive event in the civil war by Spanish Nationalist spokesmen, on a par with the capture of Irun and Toledo. It will open up possibilities of an advance along the eastern coast toward Almeria, Alicante and Valencia. According to the official communiqué issued from Seville, the populace of Malaga hailed the "liberating army with indescribable enthusiasm and gratitude for their delivery from a Marxist hell."

International Herald Tribune Special News Report Monday, February 9, 1987

France's Winter of Discontent

IN THE NEWS

Dec. 6: Protester Dies

A French student, Malik Oussekine, dies after being beaten by police amid demonstrations against a bill to raise university tuition fees and stiffen entrance requirements. The bill is withdrawn. SOCIETY, Page 6

Dec. 18: Rail, Power Strikes

A wave of strikes in the public sector begins, disrupting power supplies and transportation nationwide for a month. Amid record low temperatures, rail workers return to work. Agreements are signed between the electricity authority and all unions except the Communist-led General Confederation of Labor. The government acquiesces to striking engineers of the national railroad by withdrawing a new promotion scale that favored merit over seniority. UNIONS, Page 7

Jan. 30: Chirac on Economy

Despite the wave of strikes, Prime Minister Jacques Chirac says he is determined to pursue plans to modernize the economy, fight unemployment and give a "second wind to social dialogue." Unemployment hit a record level at the end of 1986 with 2.69 million people out of work, 5.5 percent more than at the end of 1985. The 2-percent growth in gross domestic product was below official forecasts. ECONOMY, Page 7

Jan. 31: Rush to Buy Stocks


Joan Schatzberg

In the biggest share offering on the Paris Bourse, nearly three million individual investors purchase shares of Cie. Financière de Paribas, the banking group nationalized in 1982 under the government's privatization program involving 65 companies. The overwhelming demand for the offering forced the government to back down from a pledge to meet in full all bids for up to 10 shares. A total of 14.7 million shares at 405 francs each were set aside for small investors. The offering to foreign investors was cut to meet domestic demand. STOCKS, Page 8


Mathieu Polak/Collectif

Prime Minister Jacques Chirac.

Mitterrand and Chirac: How Voters View Them

Since the election that brought Jacques Chirac to power as prime minister nearly 11 months ago, President François Mitterrand has maintained a steady high rating in opinion polls. In a SOFRES poll conducted one month before the elections, Mr. Mitterrand received a confidence rating of 46 percent. In the weeks following the vote, his score rose to 56 percent, compared with 57 percent for Mr. Chirac.

The president's popularity remained at about that level, while the prime minister's rating fell to 47 percent in a July poll.

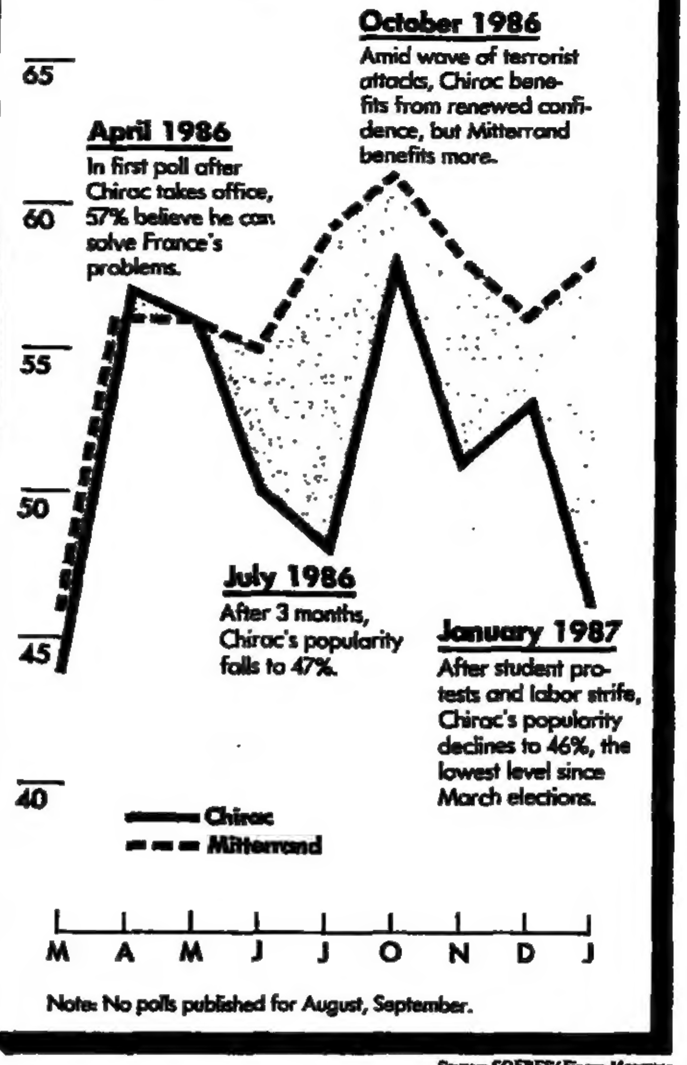
In September, amid a wave of terrorist attacks, Mr. Chirac's rating rose to 58 percent; the president's to 61. In late December, amid a nationwide rail and utility strike, 46 percent judged Mr. Chirac capable of resolving France's problems, while Mr. Mitterrand's popularity rose to 58 percent. In the latest poll published last week, Mr. Chirac's rating fell to 44 percent and Mr. Mitterrand's to 56 percent.

As the electorate begins to focus on the race for 1988, the question remains: Will Mr. Mitterrand run? An analysis on Page 6.

Consequences of Unrest

Chirac's Image Is His New Challenge

Declining Confidence In the Polls



Source: SOFRES/Figaro Magazine

A series of crises has dogged the center-right government.

By Julian Nundy

PARIS — Almost a year after regaining power for the right, Prime Minister Jacques Chirac now has a serious image problem that threatens his long-term political future.

It is one that he will have to resolve quickly if he is to become the right's main candidate in presidential elections next year.

Mr. Chirac became head of the center-right coalition government after elections last March 16 with one of the most difficult mandates of any prime minister since Charles de Gaulle took office as the Fifth Republic's first president in 1959.

With François Mitterrand, a Socialist, in the Elysée Palace, it was the first time that modern France was to have a head of state and a head of government from opposing political camps, the so-called *cohabitation* policy.

Many political observers gave the new government no more than a few months in office.

Now, few speculate on its longevity, concentrating instead on the likely scenarios when presidential elections fall due in the spring of next year.

Mr. Chirac's Neo-Gaullist Rally for the Republic, and its center-right coalition partner, the Union for French Democracy, came to power with promises of radical reforms, particularly in the economy.

As these reforms were instituted at a fast pace, a series of crises dogged the Chirac government, leaving it to answer charges that it was uncaring and dismissive of social issues.

Mr. Chirac's troubles came to the surface in December, when a student movement against university reforms, that had started peacefully, began to turn violent. Critics of the government laid the blame for the violence on police handling of demonstrators.

The affair turned to tragedy in the early hours of Dec. 6, when a student, Malik Oussekine, died after receiving a beating from riot police who had just emptied the Sorbonne of protesters.

The government had already withdrawn the three elements of reform that most offended the students — the introduction of a selection system, an increase in tuition fees and allowing universities, which have uniform state diplomas, to issue their own degrees.

After the student's death, the minister for higher education, Alain Devaquet, resigned and the government withdrew the whole reform project.

Marches through Paris and other cities continued for a few days, however, in mourning for Mr. Oussekine. The students were joined by thousands of middle-aged men and women, angered by the police behavior.

To cool the atmosphere, the government postponed debate on other controversial legislation, particularly a new French nationality code and a plan to allow prisons to be built and run by private firms.

The nationality law, which would end automatic French citizenship for all people born in France, has since been shelved while awaiting revision.

Soon after the student protests, the government was again plunged into crisis as railroad engineers walked off the job in anger over a new pay deal that would have ensured promotions on merit instead of by seniority as at present.

The government refused to intervene in the conflict between the state-owned railroad, the SNCF, and its workers. This

Continued on page 8

Are the French Ready for New, Modern Era?

'We are an old rural nation. . .'

By Joseph Fitchett

PARIS — When student protests forced Prime Minister Jacques Chirac to retreat from plans last December to make universities more competitive institutions, the episode was more than just a blow to the government's political prestige. The student revolt's unexpected strength also raised questions about French society's readiness to accept changes of a sort widely considered to be overdue.

France had seemed ready for a conservative revolution after five years of Socialist government. The Socialists had paved the way, as economic realities had forced them to renounce their doctrines of state control and preach the virtues of competition.

With both Socialists and neo-Gaullists claiming to be converts to fostering private initiative, France was presumed ready to throw off its historical reliance on strong state intervention and, in a bound, escape the bonds of red tape, unions and labor-law rigidity.

Business culture had supplanted literary gossip at smart dinners, telegenic tycoons such as Bernard Tapie were media darlings, the hour had struck for what the French call "liberalism" — which equates with the English "conservative economics" and means in practice these days a dose of Reaganomics to unleash entrepreneurial energy.

Although begun under these auspicious omens, the conservative revolution in France's business culture and social consensus seems postponed indefinitely.

Mr. Chirac's government, while successfully denationalizing banks and industry, stumbled in trying to shake up work habits. Conflicts about emphasizing incentives instead of seniority, merit instead of equality — changes whose symbolic dimensions vastly outran their actual impact — ballooned into a national confrontation.

Strikes, emulating the students' protest, blocked productivity plans in other loss-making, state-owned enterprises, including railroads, the Paris Métro and the harbor at Marseilles, the nation's largest port.

A peculiarity of the strikes was that they were led by students or workers from outside the trade unions, which traditionally handle collective bargaining in strongly centralized France. The unions' lack of leverage, and the strikers' ill-defined agenda, made the conflicts hard to settle. To many observers, the protest seemed to be a general revolt against the idea of change.

Suddenly, deeper questions were being asked about France's future. Are French people ready to modernize their economy if the price is accepting a more competitive existence? Can any government overcome entrenched resistance to rolling back job security and social protection in key sectors, particularly in state-owned public services? Has France really moved closer to a national political consensus enshrining private business and a better performing public sector as the country's best hope for growth in wealth and jobs?

Olivier Thomas/Collectif

Students at the Bastille: Their unexpected strength raised questions.

France, like other West European nations, needs to shake up its business habits to thrive in a more competitive global economy. But French society has long been ambivalent about the commercial scramble.

"We are an old rural nation and a traditional Catholic society, with ambiguous feelings about money: We like settled fortunes, but we are suspicious about money that flows, irrigates — and may evaporate," said Jean Boissonat, editor of L'Expansion, France's leading business magazine.

But, after centuries of looking to the state to provide security, the French are being summoned to a more rough-and-tumble climate. Most significantly, any shake-up has to struggle with entrenched interest groups' reflex of clinging to any advantage, even if a small sacrifice might help the overall economy.

Mr. Boissonat summed up the dilemma recently. "When France peers into the future, it looks cross-eyed because of our nation's split personality: Combative individualism contradicts soothing egalitarianism [credited with preserving social peace]," he wrote, adding: "It will take years of gentle persuasion to nudge social and industrial groups away from their vested interests and into a new dynamic."

Many analysts agree that long-run trends are making France more like neighboring industrial countries, reducing French people's dependence on the state and increasing the role of private initiative.

For the moment, however, France has settled for superficial changes. "When I see Mr. Chirac doling out the privatized television stations rather than publicly selling them, I don't see any liberalism," said Alfred Grosser, a French political writer.

The Chirac government, attempting to wean the nation abruptly from comfortable habits, seems to have triggered a backlash that has slowed, for now, the process of change.

Acknowledging that mistakes were made, a conservative strategist, Jacques Toubon, secretary-general of Mr. Chirac's party, the neo-Gaullist Rally for the Republic, said in an interview that he and his colleagues had underestimated French people's attachment to what he called leftist values — equality over freedom, solidarity over success, stability over risk.

As the party's spokesman, Mr. Toubon has tried to recover the initiative by stressing the notion that "France's only chance of getting out of the economic and social crisis is for France to risk some changes." But his upbeat approach apparently came too late to rally public support.

Nonetheless, he contended, the government has created an "irreversible new momentum in France: Privatization, which will develop popular capitalism and is the modern form of worker participation advocated by General de Gaulle; a trend toward flexibility in working conditions; autonomy for the central bank — all these will make our economy more market-oriented."

He and Philippe Seguin, minister of labor, have said that they remain committed to a planned law to increase industrial flexibility, mainly by authorizing employers to negotiate variable work-weeks to accommodate fluctuations in demand. "We will legislate, and we will help pay for retraining and other incentives for mobility, but it will take time for all this to pass into French habits," Mr. Seguin recently told a business audience.

But Mr. Toubon, in omitting any major social initiatives, tacitly admitted that the government has abandoned its most ambitious plans — for example, to restore control of the universities to professors and eliminate the students' power that has remained since May 1968; to privatize major public-service enterprises, and to eliminate the trade unions as a major bargaining partner.

"The conservatives, with their technocrats trying to change society by decree instead of piecemeal by practical steps, were as clumsy as the Socialists," Michel Crozier, a sociologist, wrote recently in Le Point magazine.

"French people have never been more tolerant, more pluralistic, more enterprising: They are ready for reforms," he added. "But not just any reform."

A much less sanguine view of the French mentality appeared in an accompanying article by another sociologist, Alain Touraine: "What strikes me is the increasing ungovernability of this country." France, he continued, "has become a nation of people on the defensive, still ready to demand that government shelter them from the economic crisis, instead of scrambling to look out for themselves."

Most analysts, however, are closer to Mr. Crozier in describing France as ready for change, if it is gradual and adroitly handled.

"An encouraging sign is that the agitation did not immediately turn to political extremism: Nobody called for the system's overthrow, or even for the government to resign," Nicholas Wahl, an American specialist on France, noted in Paris during the strikes.

Conservative strategists, however, deliberately chose shock tactics, a confrontational approach, insiders say, that was intended to crush the trade unions instead of negotiating with them. The unions, weakened by years of high unemployment and not revitalized while the Socialists were in power, seemed ripe to be eliminated as a major force in the French business climate, they confided.

The government's actions, however, miscarried when wildcat strikes got out of control and were especially hard to settle because the unions themselves lacked bargaining power with their own rank and file.

"We indulged in a crazy dream," said an influential member of the Patronat, the employers' association, who asked not to be identified. He and others now recognize that trade union power is not the primarily obstacle to changing job habits. More importantly, without unions to help negotiate, change often is harder, not easier, to bring about.

"It's a naive misconception to think that a modern industrial nation can be governed without unions to help articulate workers' interests," noted Suzanne Berger, a French affairs specialist at the Massachusetts Institute of Technology. "The moment has come for France to rediscover the necessity of unions."

The crash program of Mr. Chirac also went too far, too fast in other areas, often upsetting his fellow conservatives, writes Jérome Jaffré, a public opinion analyst, in "L'Etat de l'Opinion: Clés pour 1987" (The State of Public Opinion: Keys for 1987). The abolition of the wealth tax and the decision to ease formalities for firing employees, Mr. Jaffré said, divided Mr. Chirac's own electorate.

Without saying that the pendulum in France will swing back from the conservatives, Mr. Jaffré said that French people favor more deregulation and more personal initiative, but they rebel at open assaults on social protections or on the egalitarian philosophy that still prevails in the nation's institutions.

Mitterrand: Playing For Time

PARIS — As Prime Minister Jacques Chirac has dealt with a succession of crises, President François Mitterrand has shown little desire to exploit his rival's misfortunes.

The reason, several political sources say, is that the president wants Mr. Chirac to remain the main leader of the right and be the conservative candidate in next year's presidential election.

The president has maintained a steady lead over Mr. Chirac in opinion polls.

And Mr. Mitterrand believes that, in a presidential election, he would find Mr. Chirac easier to beat than the other likely rightist candidate, Raymond Barre, the sources say.

Last fall, Mr. Mitterrand said publicly that he did not intend to be a candidate for the presidency in 1988, when his seven-year term ends. But he did not exclude his candidacy in the event that he was asked to run.

Lionel Jospin, the first secretary of the Socialist Party, has proposed a motion for the party's congress in April expressing the hope that Mr. Mitterrand will be the Socialist candidate. If accepted by the congress, the proposal would become party policy.

Published in January, the proposal already has angered the supporters of the other most likely Socialist' candidate, Michel Rocard. Mr. Rocard, a former agriculture minister, has a consistently high rating in opinion polls. Within the party, he has long been seen as a Mitterrand rival.

Supporters of Mr. Rocard, responding to the Jospin text, have attempted to head off a decision at the April congress on their presidential candidate by suggesting a separation of "the debate on our policies from the debate on nominations."

The Mitterrand camp, however, sees the friction between the Socialist Party factions as dangerous only for Mr. Rocard. Other possible Socialist candidates are former prime ministers Laurent Fabius and Pierre Mauroy, who both currently back Mr. Mitterrand's candidacy for 1988.

Shortly after the internal Socialist Party squabble started, Mr. Rocard's popularity fell to 49 percent, according to a poll published in the weekly Journal du Dimanche in late January. A similar poll conducted a month earlier by the IFOP polling organization gave him 56 percent.

A series of opinion polls published just after France came out of one of its most uncomfortable crises in recent years, with public-sector strikes causing transport chaos and electricity cuts over the Christmas and New Year holidays, showed only one politician gaining. That was Mr. Barre, the most resolute opponent of the concept of a conservative prime minister sharing power with a Socialist president.

One of the leading members of the Union for French Democracy, the alliance of centrist parties that is the coalition partner of Mr. Chirac's Neo-Gaullists, Mr. Barre scored highest in the IFOP poll — 56 percent.

Mr. Barre, who was prime minister from 1976 to 1981 under President Valéry Giscard d'Estaing, increased his popularity after appearing in his first formal television interview since the March elections at the height of the public-sector strikes.

As for Mr. Mitterrand, the past 11 months have given him the opportunity, while losing much of his power, to appear as a sort of arbiter, particularly on social issues. But he has had to tread a delicate road.

He refused to sign three decrees put before him by Mr. Chirac to head off parliamentary debate, but at other times he has been most supportive of the government. He expressed his solidarity with the government's stand against terrorism but then chided it when reports began to surface that the Chirac government was conducting negotiations to head off new bombings.

Another factor that could influence next year's presidential election is the length of the presidential term. For the past decade there has been talk of reducing the presidential mandate from seven to five years to coincide with the term of the National Assembly. In January, Mr. Giscard d'Estaing said he believed Mr. Mitterrand would hold the referendum needed to change the constitution and reduce the term during 1987.

Next year, Mr. Mitterrand will be 72 and the length of a fresh mandate could be a serious election issue.

In general terms, some analysts say, Mr. Mitterrand would like to see the Chirac government overcome its crises with himself retaining a fatherly overseer's role. If this happens, and Mr. Chirac is able to go forward as the right's main candidate, Mr. Mitterrand feels he can win another term.

If, however, Mr. Barre benefits from crisis after crisis and puts himself forward as the man who can put France together again, the fight will be much more difficult. And, the sources say, if he thinks he will lose, Mr. Mitterrand is not likely to run.

Julian Nundy

Economic Malaise

Strikes Shake Confidence in Government's Reform Program

Political and business leaders describe the outlook for 1987 as mediocre.

By Axel Krause

PARIS — Until late December, the conservative government of Prime Minister Jacques Chirac approached the presidential election scheduled for next year fully confident that, despite growing opposition, it held a winning card — the French economy.

However, the three-week strike of public-sector employees that began Dec. 18 has raised new uncertainties about the economy's performance and the future actions of militant labor groups.

French officials, deputies, business leaders and foreign diplomats interviewed in recent days said the strikes, along with rising oil prices and surging imports, have rekindled doubts about the government's ability to stimulate growth and substantially reduce inflation, while maintaining a strong franc and pursuing ambitious reforms.

Even Edouard Balladur, the minister of finance, economics and privitization, who has vigorously defended the government's record on reforms since the March 16 elections, conceded in an interview that the strikes were among factors that would have "important effects" on inflation, currently at about 2 percent.

But he said he believed that the government's economic and political "difficulties" would be resolved within three months and that confidence would be restored.

Nevertheless, a mood of resignation about 1987 is reflected in recent polls and in private conversations with French political and business leaders and foreign observers, many of whom describe the outlook as mediocre compared to 1986.

"The December strike by railroad workers, while not the cause, certainly was a dramatic sign of the malaise now creeping into French political and economic life," a senior foreign diplomat in Paris said. "What comes across is that the Chirac government held the line on the wages [in recent negotiated settlements] but threw in the towel on Reagan-Thatcher-style reforms promised for the SNCF and other state-controlled sectors."

Critics cited as an example the fact that Mr. Chirac, faced with a paralyzing strike of railroad and electricity workers, abandoned a controversial plan proposed by the SNCF, the national railroad, to implement a pay scale based on merit rather than seniority. The plan was the first step in providing the railroad greater flexibility in managing its 230,000 employees and, above all, in reducing costs.

Raymond Barre, the former conservative prime minister and a leading contender for the presidency, warned supporters in Bordeaux on Jan. 25 that "France is stagnating; the economy is no longer competitive, and that cannot continue."

Mr. Barre said that new stimulative measures to restore confidence in the economy were urgently needed.

While Mr. Balladur has insisted that government policy is working successfully, particularly in reducing inflation and deficits and in privatizing companies and banks, many sources questioned the strength of the franc, export performance and the capacity of the economy to create enough jobs to dent growing unemployment. Government statistics show that the jobless rate during 1986 rose 5.5 percent to a record 2.57 million, or 10.7 percent of the work force, notably among youth, women and managers.

Many observers, including the Organization for Economic Cooperation and Development, say that France's unemployment will continue to climb. The OECD and some private French forecasting firms recently predicted that the rate will rise to around 11.5 percent in early 1988, representing nearly three million people.

While Mr. Balladur insists that inflation will remain around 2 percent this year, most private French forecasting groups have revised their projections upward since the public-sector strikes to between 2.6 percent and 3 percent. The inflation rate in 1986, the lowest in several decades, was about 2.2 percent, down from 4.7 percent in 1985.

A key question bothering many government planners is whether or not France will be able to close the widening gap in economic performance with West Germany, the country's largest trading partner and closest ally in West Europe.

Not only is the German inflation rate currently at about one percentage point below zero, but France's chronic trade deficit with West Germany rose sharply last year to a record 39.6 billion francs from 28.6 billion francs in 1985. France also reported increased deficits with the United States, Italy, and East European countries, including the Soviet Union.

"It is always the same story after a monetary readjustment: France tries to reset the clocks at zero with regard to Germany, but the gaps invariably worsen, in trade and inflation," commented Libération, a leftist daily, shortly after the Deutsche mark was revalued by 3 percent last month in a realignment of some European Monetary System currencies.

How Chirac's Reforms Have Fared

Yes

Business: Privatization of industries, insurance companies and banks is approved; corporate tax rates fall; restrictions on layoffs are eased; social charges paid by employers are reduced; tax incentives are approved for stock-market investments.

Prices: Controls are lifted on manufactured products, but retained for items such as pharmaceuticals, books and taxi fares.

Subsidies: Government aid to industry is cut by one third, but support for farmers grows.

Politics: Electoral reform and redistricting measures expected to benefit the large conservative parties in 1988 are approved.

Law and order: Police powers are expanded to fight terrorism. Visa requirements are strengthened.

No

Unemployment: Despite incentives to hire youth workers and create jobs, the unemployment rate has reached 10.7 percent.

Education: Proposed university reforms are withdrawn after mass protests by students end in violence.

Public sector: Wage increases are held down, but an attempt to put some rail workers on a merit-based pay system is dropped after rail and transit workers strike.

Nationality: Action to stiffen requirements for becoming a French citizen is postponed amid broad resistance. Any revised proposal is not expected to be presented to Parliament before September.

Maybe

The workplace: The Constitutional Council annulled a controversial proposal to ease rules on setting workers' hours, but the government has vowed to submit a new plan to the National Assembly in the near future.

During the EMS negotiations, Mr. Chirac and Mr. Balladur adamantly refused to change the franc's parity within the EMS, even though West Germany had unsuccessfully urged a French devaluation of around 2 percent.

"There is no crisis of the franc, there is a mark crisis," Mr. Chirac said.

Commenting after the readjustment, Mr. Balladur said that the parities established were "solid and durable."

But bankers were skeptical about the results. "It is safe to say this agreement won't hold for a full year," a senior official of one of West Germany's largest banks said.

"The French position was defensive and clearly political, so the final agreement turned out as expected — patchwork," added a U.S. banker.

Contributing to the uncertainty is a sense of resignation and indifference about the future cited by French business leaders. Many say that not much will change between now and the election next year. They add that, unless the government moves to stimulate the economy, there will be little if any chance of attaining its goal of 2.8 percent GDP growth in 1987.

Most analysts believe that gross domestic product, the total value of a country's output of goods and services, minus foreign investments, will not exceed 2 percent, roughly double the expansion in 1985.

"Most of us are doing somewhat better, particularly in profits, but 1988 will not be terrific. It will be a year of consolidation," said the senior executive of a large, French multinational company.

He and other sources cited a survey of chief executives published in January by L'Expansion, a French publishing group. Asked about the six-month outlook, 57 percent said they expected no change, while 5 percent anticipated a worsening in economic performance.

"Few if any businessmen are upbeat ... if we get 2 percent, [growth in GDP during 1987] that will be fine, and better than zero," the executive said.

Mr. Chirac and several key ministers have tried to generate enthusiasm for their policies despite a string of setbacks. These range from the student riots of December to the Jan. 25 ruling by the Constitutional Council, which annulled a controversial legislative proposal that would have eased rules on workers' hours and that had received wide support from French business.

"We will restart" preparations for a modified law that will be submitted to the National Assembly shortly, said Philippe Séguin, the minister of social affairs.

"Our intention is to pursue our recovery plan ... when the moment comes, we will be judged by our courage and the results of our policy," Mr. Chirac said during a recent visit to the Alsace region in eastern France. "And we ask for nothing more."

Against a backdrop of slumping popularity for Mr. Chirac in polls, Mr. Balladur has emerged as the minister most admired by business leaders and bankers. In the L'Expansion survey, Mr. Balladur ranked first for "efficiency in his field," followed by André Giraud, the defense minister, Mr. Séguin, Mr. Chirac, and Alain Juppé, the budget minister. Michel Noir, the trade minister, was in ninth place.

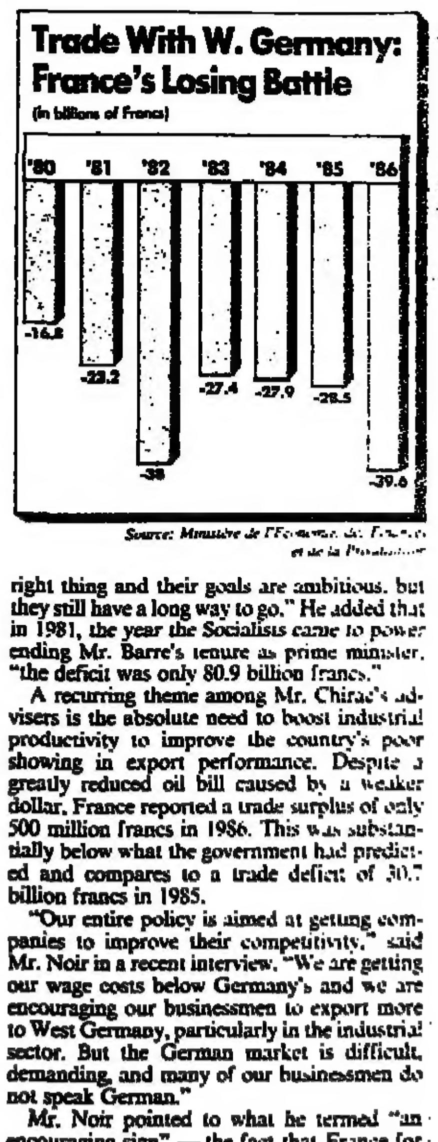
"France is on the right track," Mr. Balladur recently told the Anglo-American Press Association in Paris. "Our situation is improving."

Responding to questions, the minister, who is viewed by many as a potential prime minister in a future conservative government headed by Mr. Chirac, emphasized that he was hopeful that recent cuts in corporate and income taxes would rekindle business confidence and, above all, investments.

Mr. Balladur said he hoped that investments in productive capacity this year would rise by about 5 percent from 1986 levels, compared to a 4 percent increase last year and a 2 percent rise in 1985.

Meanwhile, Mr. Balladur and his aides, who are drafting the 1988 budget, say they plan to accelerate cuts in government spending with a view to reducing the national budget deficit to around 2 percent of GDP from the current 3 percent. That would involve reducing the deficit to around 110 billion francs ($18.3 billion), from 129 billion francs in 1987 and from 144 billion francs in 1986, the Finance Ministry said.

However, a key adviser to Mr. Barre said: "The government of Mr. Chirac is doing the right thing and their goals are ambitious, but they still have a long way to go." He added that in 1981, the year the Socialists came to power ending Mr. Barre's tenure as prime minister, "the deficit was only 80.9 billion francs."



Source: Ministère de l'Economie, des Finances et de la Privatisation

A recurring theme among Mr. Chirac's advisers is the absolute need to boost industrial productivity to improve the country's poor showing in export performance. Despite a greatly reduced oil bill caused by a weaker dollar, France reported a trade surplus of only 500 million francs in 1986. This was substantially below what the government had predicted and compares to a trade deficit of 30.7 billion francs in 1985.

"Our entire policy is aimed at getting companies to improve their competitivity," said Mr. Noir in a recent interview. "We are getting our wage costs below Germany's and we are encouraging our businessmen to export more to West Germany, particularly in the industrial sector. But the German market is difficult, demanding, and many of our businessmen do not speak German."

Mr. Noir pointed to what he termed "an encouraging sign" — the fact that France for the first time in recent history substantially reduced its trade deficit with West Germany in sales of automobiles from about 10 billion francs in 1985 to 2 billion francs last year. "Thanks to Citroën and Renault mainly, we are doing better, which is an achievement," he said.

Another encouraging sign surfaced last Friday, when Mr. Balladur announced that France had registered a current-account surplus of 25.4 billion francs in 1986, its first since 1979. In 1985, the current account deficit rose to 1.5 billion francs, which measures both the nation's merchandise, as well as nonmerchandise trade items, such as services.

Trade in services posted a surplus of 37 billion francs, slightly below the 1985 level of 38.8 billion francs, Mr. Balladur and Mr. Noir told reporters.

Dissatisfaction With Unions Grows

By Brigid Phillips

PARIS — At the height of the Christmas season, train engineers crippled France's railroad system. Parisians huddled in winter weather waiting for an occasional bus or crammed into one of the few subway cars that was still running during a transit strike.

Electricity workers across the country shut off the power. Postal workers slowed the mail service. And in the midst of those strikes, union leaders called for shutdowns in all public services. It seemed that the unions were holding the country for ransom.

In fact, France's labor trouble was even more disquieting for the unions than it was for the beleaguered government or the thousands of would-be travelers whose train never arrived.

The strikes were sparked by a grass roots movement of railroad workers who were dissatisfied as much with the traditional unions as with their wages and working conditions. The walkouts were a critical threat to the future of unions in France.

The strikes began Dec. 18 when a group of Paris train drivers for SNCF, the state-owned railroad, staged a wildcat strike. Train drivers across the country soon set up independent strike committees — without the backing of unions — and managed to choke service to 40 percent of normal. The drivers were angry at a proposal to base promotions on merit rather than seniority.

Management of the SNCF was forced to hastily begin negotiations that had been scheduled for January. The talks went badly, the strike action spread and union leaders were relegated to the sidelines, condemning striking workers who succumbed to "blatant manipulation" that they claimed was designed to break the unions.

> 'Once the strike was under way, the unions could not manage to take control.'

"The unions did not start the train drivers' strike. They never even saw it coming," said Yves Chaigneau, a labor analyst and member of the French Economic and Social Council. "Once the strike was under way, the unions could not manage to take control."

An analysis in the Paris daily Le Monde added, "On top of the decline of organized labor the unions have already been facing, now union leaders will have to cope with a new phenomenon of spontaneous movements by workers."

Unions have been losing members steadily over the past decade and now claim only about 15 percent of the work force. As in many Western countries, French union leaders have watched their influence diminish as industrial jobs in traditional bastions of organized labor have been lost to new technology.

Young people are less interested in joining groups of any kind, and the growing number of women in the work force have shunned unions. The unions have been unable to modernize either their structures or their rhetoric for a new generation of workers.

In a country where the major unions are organized along ideological lines rather than job classifications, support is eroding for left-leaning unions as it is for the Communist Party.

It is in the state-owned industries and public services that the unions retain their greatest strength. Among railroad workers, union membership is double the average level, at about 30 percent.

Yet, in December, the railroad workers were the first to challenge the unions with alternative organizations. They established parallel committees to watch over the shoulders of official union negotiators, and in some cases, formed alternate structures and demanded to be directly included in pay talks.

The renegades said they were protesting union leadership that served its own interests. They said they were frustrated with the lack of success of "push-button" strikes — the day-long, limited work stoppages that the unions generally advocate. The solution of these train engineers was a relentless strike, longer than any that the unions have held since May 1968.

Eventually, leaders of the principal unions recognized the strength of the countermovement and tried to claim some of the credit for the strikes' success. The Communist-led General Confederation of Labor, or CGT, led a one-day strike of all public services and called for the strikes to expand to include workers in the private sector.

That effort fizzled in a dispute between the major unions over the wisdom of turning the strikes into a mass movement. Some union leaders felt they would lose public support for their cause; others thought such action would give the government an excuse to crack down on labor without addressing the real concerns of workers.

Jean-Eudes Schurr

French railroad workers demonstrating during nationwide strikes in January.

Instead, the strike movement dissipated in the second week of January. Strikers at the state-owned firms won some concessions from the government on working conditions and benefits. They failed to budge the government from its ceiling of 3 percent on pay raises.

The next crucial test for the unions are the public-sector negotiations which are currently under way. In the opening days of those talks, teachers were already holding sporadic strikes to protest a government plan to add an extra level of bureaucracy in the administration of schools.

Henri Krasucki, leader of the CGT, foresees more disruption. "The labor battles will get bigger and expand," he said recently. "What the railroad workers started is not over. When I say the wave is building, it is both a call and an observation. The movement is growing. Give it a bit of time and it will reach the private sector, too."

However, his prediction may be built more on wishful thinking than analysis. Labor analysts and many politicians believe that the unions would not dare hold an extensive strike of public services because, as one expert said, "everybody wants his son to become a public servant, but all Frenchmen hate public servants."

But even more serious, there is some doubt about the ability of unions to rally workers to such sweeping action. They could not control the railroad workers in December. And polls confirm that traditional union organizations have simply lost much of their appeal.

A recent survey showed that 51 percent of French workers believe that unions do not reflect the needs or wishes of labor. That lack of credibility will make it difficult for the unions to resume their role as leaders of labor.

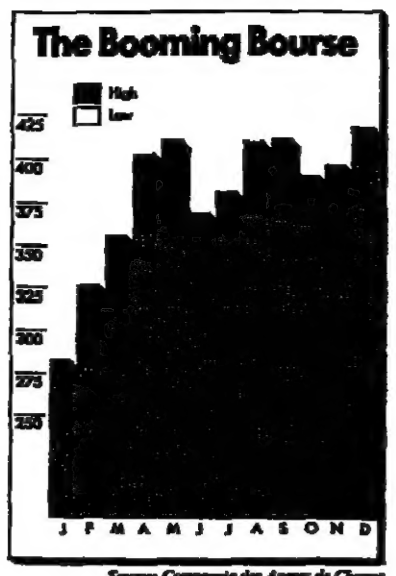
"French unions are in a period of turmoil and it is not clear when or how they will emerge," Mr. Chaigneau said.

BRIGID PHILLIPS is a Paris-based journalist.

The Bourse

Paris Stock Market Outgrows Its Southern European Image

'Paris is the one bull market left in Europe.'



Source: Compagnie des Agents de Change

By Vivian Lewis

PARIS — A French banker sums up the problems he has selling French stocks to foreign institutional investors. "Along with Italy and Spain, they think we are part of 'the garlic belt,' fast-growing but narrow, high-risk stock markets where settlement is uncertain, commissions are high, insiders are in control," said Gérald Guelton, deputy director of international securities for Barclays Bank, S.A.

As Mr. Guelton spends a lot of his time explaining, this is an unfair characterization of the French Bourse. It is neither as risky, nor as insider-ridden, inefficient or expensive as Southern European markets.

An increasing number of foreign investors from the United States, Britain and Japan are listening to Mr. Guelton and his colleagues and are beginning to take Paris more seriously. It is above all due to their confidence that the French stock markets have done so well. The markets rose by just under 60 percent in 1986, according to the stockbrokers' association, the Compagnie des Agents de Change (CAC), more than quadruple the level at the end of 1981.

A British financial analyst, Roger Hornett, of brokers James Capel, remains bullish on Paris in 1987. "Paris is the one bull market left in Europe," he said. "The others have run out of steam. In other markets bad news will be responded to more dramatically than in Paris.

"Erring on the side of caution, I would not be surprised if the Bourse rose by at least 25 percent in 1987."

According to the French daily Le Monde, Capel most closely predicted the 1986 rise in the index.

While rising stock prices are the key to attracting foreign investors, the French stock market has other attractions, too. In fact, none of the features of "the garlic belt" apply any longer in France.

Take insider trading. Among European stock exchanges, France comes closest to the regulatory situation in Britain or the United States. This is not the case in Switzerland, the Netherlands or Belgium, where legislation is not yet in place, nor in other Southern European countries. In West Germany, insider trading is not illegal. The worst that can happen in the case of outright abuse, such as that by a member of the supervisory board of a company being bid for, is a fine equal to the illicit profits.

French law provides for prosecution and penal sanctions against those who trade in stocks on the basis of privileged information, and successful suits have been brought in court by the Commission on Stock Market Operations, a body similar to the Securities and Exchange Commission in the United States. It also keeps an eye on takeover bids and new issues to try to make sure that all shareholders are treated alike. Greenmail, involving corporate stock repurchases at above-market prices to prevent takeovers, is not allowed. The highly regulated French system also protects investors against fraud in offers and trading of shares and other investments.

French fixed commissions are high by international standards, in particular for block trades, but institutional investors in practice can negotiate with brokers for a reduction of up to 70 percent of fixed commissions. Then, too, orders originating abroad can avoid the French transaction tax. Because about 20 French blue chip shares are quoted in foreign markets (London, New York, Frankfurt), they can be traded by institutions with international-scale commissions.

Mr. Guelton's bank, the French subsidiary of Britain's Barclays, is preparing to revolutionize French markets by offering from Paris instant telephone quotations at low negotiated commissions for 40 additional stocks, including several from the attractive *second marché*, which are not now internationally traded. Through an offshore subsidiary, it will act as specialist in these shares and hold open positions to make deals, something undercapitalized French stockbrokers cannot do.

If all goes according to plan, in the spring, with the support of the Ministry of the Economy and Finance, French Barclays will have undercut the monopoly of the French stockbrokers' association.

Because of the "dematerialization" of French stocks in late 1985, when share certificates were discontinued, delivery and settlement conditions are among the most modern in the world. Other risks of a French investment will soon be reduced when the Paris futures market *(le Matif*, or *marché à termes des instruments financiers)* opens trading in stock options later this year. The institution of longer trading hours for block dealing in large-capitalization stocks also helps cut risks, and more shares will be traded all day in 1987.

One major risk of buying French shares remains foreign exchange losses. This was underscored by the effective devaluation of the franc in the European Monetary System last month. Protecting against currency risk is difficult from within France because of exchange controls. Actually, in the last three years, for investments based in dollars or pounds, the franc has risen in value.

New issues, mostly of smaller firms on the *second marché*, and capital increases by French companies have broadened their markets, as have special tax advantages to encourage small investors. A new plan will encourage French investors to invest in funds for their retirement similar to the tax-deductible Individual Retirement Accounts in the United states.

In recent weeks, further investor interest has been stimulated by special conditions favoring purchase by small investors of formerly state-owned companies, such as Saint-Gobain and Paribas, and the announcement of another set of denationalizations of other well-known French banks and industrial companies, such as Sogneal, CCF, Compagnie Générale d'Electricité and the TF1 television network.

In 1986, investors did well in Paris; the market's average performance was third in Europe, following Milan and Madrid. Most of the market's increase took place in the period up to the election of Prime Minister Jacques Chirac in March, after which the stock market fell and rose twice, barely gaining ground. Politics have a lot to do with the way French markets behave, but not always in the way one would expect.

The CAC index posted a record in the middle of the student protests in early December, because, as Mr. Hornett remarked, the French markets brush off news that would cause other exchanges to fall. The index rallied again despite the strikes by railroad, Métro and electricity workers in early January.

In the past, markets have tended to rise after a franc devaluation in the belief that a devaluation makes French companies more competitive internationally, thereby adding to their profitability.

Mr. Hornett estimated that corporate profits rose 45 percent to 48 percent in 1986, and will probably rise by 22 percent to 28 percent in 1987.

The country's gastronomic reputation is a clear plus for foreign investors. Food was the best performing sector on the Bourse in 1986, rising by 157 percent. It was followed closely by the paper industry. The retailing sector came in third.

Gramond/Coll.

Bidding for shares on the booming Paris Bourse.

VIVIAN LEWIS, a Paris-based financial journalist, is a regular contributor to The Banker and the International Organizations Monitoring Service.

For Chirac, New Political Challenge Is His Image

Continued from page 5

brought charges from both the left and extreme right of "laxity."

The promotion clause was quickly withdrawn, but the strike, which lasted a total of 26 days, continued to back demands for more pay and better working conditions.

The rail strike disrupted the country's transport system over Christmas and New Year, ruining many families' holiday plans.

In Paris, Metro and bus drivers staged sporadic strikes, adding to the usual seasonal traffic jams, to press their own claims.

At issue as far as pay was concerned was a ceiling of 3 percent imposed by the government on all public-sector salaries in 1987 as part of its drive against inflation.

With the rail strike, in which many nonunion engineers took part, causing havoc, other parts of the public sector also staged parallel protests.

A one-day strike called for Jan. 6 in the public sector lasted for nearly a week and added electricity cuts to the chaos.

The strike movement, with many demands left unsatisfied, lost momentum on Jan. 12 after demonstrators marched through France's cities, calling on the strikers to go back to work.

Then Mother Nature stepped in, bringing an unusually severe cold spell and heavy snowfalls that complicated the return to normality, snarling the rail network and roads and overloading the electricity system.

Another effect of the cold was to focus attention on the country's poor, those with no homes or little money to buy food. With unemployment over the 10 percent mark, the ranks of what are called "the new poor" are steadily increasing.

Hurrying to burnish his social image, Mr. Chirac visited a center for the homeless as sub-zero temperatures took hold.

Later in January, teachers protesting, among other things, a new reform that would give elementary school principals greater powers joined the list of strikers, staging a one-day stoppage on Jan. 27.

For former Prime Minister Raymond Barre, the government's problems were due to an "overdose" of reforms, a desire to go too quickly without appearing to seek solutions to the problems that preoccupy the French, especially unemployment.

Mr. Barre, the most fervent critic of the experiment in cohabitation and the most likely presidential candidate for the centrist UDF, also suggested that a hint of attention to working and social conditions would improve the government's image.

"Firmness should not exclude the possibility of dialogue," Mr. Barre said at the height of the rail strike.

This sentiment was echoed later by former President Valéry Giscard d'Estaing under whom both Mr. Chirac and Mr. Barre served as prime minister.

Opposition critics say that the government's haste to carry out new economic and fiscal policies while insisting on holding down wages is behind the uncaring image.

In the second half of January, Mr. Chirac held two meetings with all his 41 ministers to draw up priorities for the rest of the year.

Denying that he was contemplating a "pause" in his program, he also embarked on the first of a series of provincial tours to explain his policies in person to the ordinary citizen.

Speaking in Alsace, eastern France, he announced a new plan on Jan. 26 to reduce youth unemployment.

But he stayed away from neighboring Lorraine where, two days later, storekeepers closed their shutters and workers blocked roads in a general strike called to protest the lack of government plans to attract new industry to replace jobs lost in the area's failing coal mines.

The same week, Mr. Chirac promised to give new life to social dialogue and offered to meet the leaders of the main trade unions to discuss their concerns.

He had earlier been criticized as being the first French prime minister not to consult with the unions in his first months in office. His aides replied that the unions had not sought a meeting.

At the beginning of February, more trouble loomed as teachers planned new stoppages and as talks with the government on public-sector wages broke down over union demands for indexation to counter inflation.

The demands followed news that inflation in January would be around half a percentage point. The government target for all of 1987 is to keep inflation down to 1.7 percent.

Meanwhile, the students' coordination committees, set up during their strikes and protests of November and December, announced that they would meet again in March to consider their future role.

Some commentators expect them to join with the teachers to protest reforms in the schools.

Analysts of the social scene say that the cycle of one-day stoppages will probably continue, especially in sectors where attempts have been made to change workers' professional status.

In addition to Mr. Chirac's social worries, the threat of terrorism, which presented him with his first real crisis, still hangs over the country.

Eleven persons died in a series of bombings in Paris last September. The explosions were claimed by a group demanding the release of Georges Ibrahim Abdallah and two other Middle Eastern prisoners held in French jails.

Mr. Abdallah is due to go on trial this month for complicity in the murders of a U.S. military attaché and an Israeli diplomat in 1982. French officials fear that the trial could be followed by a resurgence of terrorist attacks.

What the next few months bring for France will be crucial for Mr. Chirac.

Unless he can cool the social atmosphere and go into the presidential elections with a successful overall record behind him, most analysts predict one of two options: a new administration headed by Mr. Barre or even a new center-left coalition with Mr. Mitterrand remaining for a second term in the presidency.

A Monthly Report for the International Investor — Herald INTERNATIONAL Tribune — Monday, February 9, 1987

PERSONAL INVESTING

FOCUS

Cash Keeps Tokyo Afloat

IT IS THE KIND OF ARGUMENT that routinely works its way through the marketplace when analysts exhaust the seemingly more plausible reasons to explain a rally. And this time is no different. Now that the Nikkei index has passed 20,000 in defiance of Japan's somber economic prospects and a market price-earnings mutiple approaching 50, experts are once again talking about the excess liquidity that drives the Tokyo Stock Exchange.

Japanese institutions, so the argument goes, are flush with cash and, in the absence of better investment alternatives, have been pumping money into the stock market at an alarming rate. It is reckoned that more than 20 trillion yen (about $135 billion, at current exchange rates) in fresh funds flowed into the market last year, an even more startling amount considering that foreign investors were net sellers of Japanese securities in 1986.

Tokkin funds account for the biggest chunk of new investment. These giant funds, which invest surplus corporate cash, have grown enormously thanks largely to the reluctance of Japanese companies to embark on capital spending plans because of the economic slowdown. It is even suspected that the proceeds from recent corporate borrowings in the Euromarket are being funneled directly into the Tokyo market until the Japanese economy displays more vigor.

"If you can't generate income from normal operations, you naturally look elsewhere," says Paul Aron, vice chairman of Daiwa Securities America, a subsidiary of the big Japanese brokerage. He estimates that large Japanese companies are deriving about one-half of their pretax income from the stock market.

WHILE SUCH LIQUIDITY is necessary to sustain a rally, whether it is a sufficient reason to investment in Japanese stocks is another matter.

"Our experience is that it has been a relevant argument, even with the multiples so high," says Jacob Van Duyn, head of research and capital management for the Robeco group of funds in Rotterdam. Adds Laura Luckyn-Malone, who manages the Japan Fund, a closed-end fund listed on the New York Stock Exchange: "You can't fight it."

Such money managers say that the sheer weight of money will continue to sustain Tokyo's rally. The Bank of Japan's relaxed monetary stance, which has resulted in bond yields of just 4.5 percent, will likely continue, they note. Moreover, Ms. Malone says tax reform this year will probably eliminate the exemptions on certain popular deposit accounts. Much of this cash is likely to flow into Japan's mutual fund industry, she says.

Still, some money managers are skeptical. Glen Wellman, who manages Alliance Capital's International Fund in London, has reduced the Japanese portion of his $170 million portfolio to 20 percent from 35 percent a year ago.

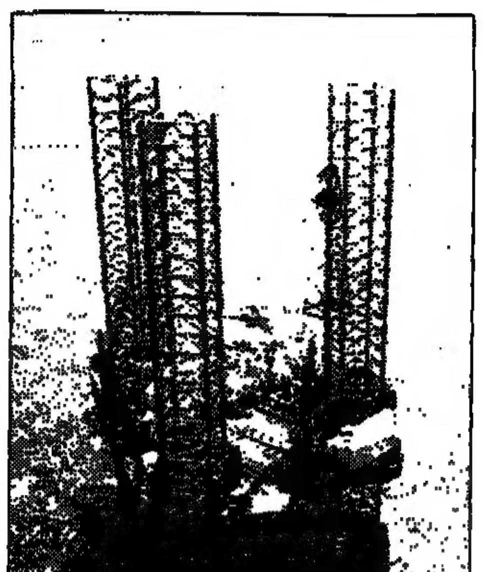
"If Japanese companies suddenly have a drain on their profitablity, there won't be a surplus of funds and you could see a big correction," Mr. Wellman says. He adds that the problem with a liquidity-driven market is that it is "not forecastable."

Indeed, some adherents of the liquidity argument admit to concern about the unpredictability of the market. One disturbing sign that liquidity may be getting out of hand, Ms. Malone says, is the heavy volume in seemingly uninspired issues such as Nippon Steel, whose outlook is anything but upbeat.

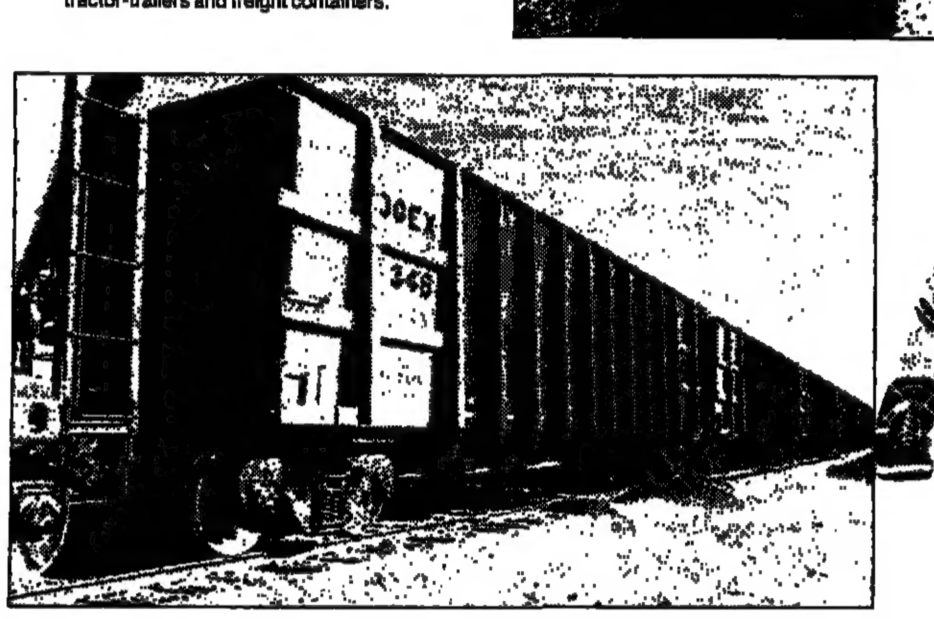
"Liquidity is a creature of confidence," she says. "Therefore, it can evaporate easily." □

John Meehan

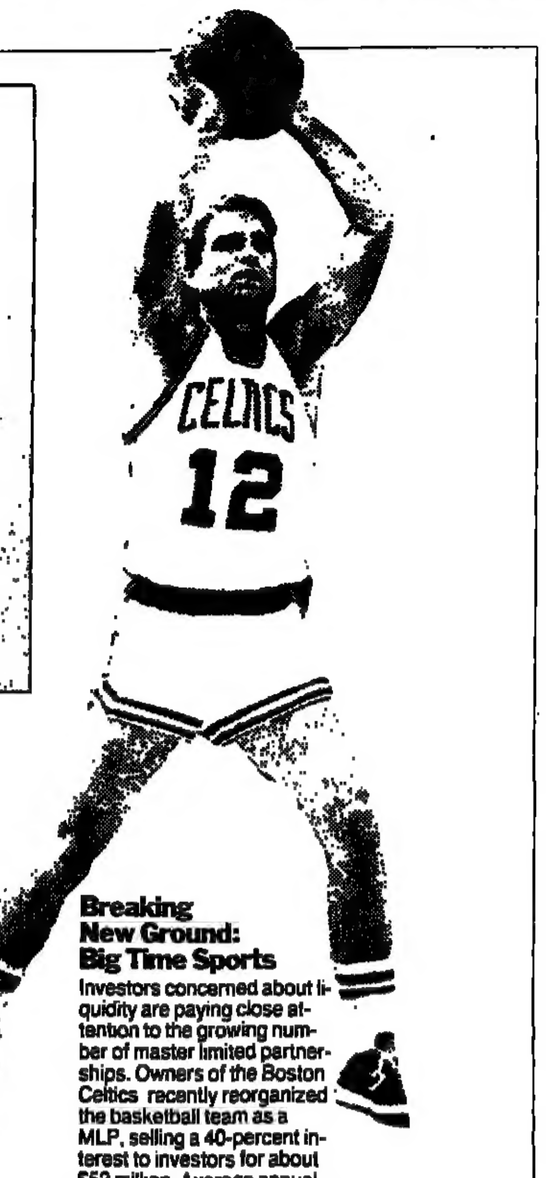
The New Look in Limited Partnerships



Oil Drilling: A Stalwart
As big oil companies unload assets at steep discounts, oil and gas partnerships are once again gaining popularity. This oil platform in the Gulf of Mexico is part of Apache Offshore Investment Partnership, a $225-million program sponsored by Minneapolis-based Apache Corp. Minimum investment was $7,500.



Equipment Leasing For Diversification
Equipment leasing is part of the diversification from the real estate partnerships that have long dominated the industry. These railroad cars are owned and leased by PLM Equipment Growth Fund, a $120-million limited partnership sponsored by PLM Financial Services Inc. in San Francisco, which also owns commuter aircraft, tractor-trailers and freight containers.



Breaking New Ground: Big Time Sports
Investors concerned about liquidity are paying close attention to the growing number of master limited partnerships. Owners of the Boston Celtics recently reorganized the basketball team as a MLP, selling a 40-percent interest to investors for about $52 million. Average annual yields are projected at 6.5 percent.

U.S deal makers are stressing income and looking abroad for new investors.

By Alex Barnum

New York

IN THE PAST FIVE YEARS, Lawrence D. Menconi Jr., a co-owner and vice president of a successful graphic arts company in Des Plaines, Illinois, has become a more sophisticated investor. Emboldened by the fast growth of his company, Mr. Menconi has dabbled in some pretty risky investments: apartment buildings, oil wells and silver mines.

But now that the Tax Reform Act of 1986 effectively eliminates tax shelters from the U.S. tax code, Mr. Menconi is changing his strategy. "I've taken more of a conservative posture," he says. "Now I'm looking into profitable things with more emphasis on cash flow, not tax shelters."

Mr. Menconi's attitude is not uncommon among investors who bought tax shelters. Until last year, investors in the United States could purchase interests in limited partnerships, which invest in everything from real estate to motion pictures, and count on immediate tax write-offs against their income.

But with the loss of tax shelters, partnerships are shifting their focus to income-oriented programs that produce immediate returns and away from deals in which the major attraction was the huge tax advantages. "Everyone is designing partnerships to produce current income," says William G. Brennan, publisher of Brennan Reports, a tax and investment planning newsletter.

This could broaden their appeal. Already, partnership sponsors are casting eager eyes at overseas investors who have generally steered clear of partnerships in recent years because of a tax theme that seemed better suited to U.S. investors. " 'Limited partnership' is not something that rolls off the tongue of the European investor," acknowledges Charlynn Goins, who manages foreign offerings for Integrated Resources Inc., a $2.1 billion financial services company in New York.

The hope is that foreign investors will find the new offerings hard to pass up, especially now that some partnerships are being packaged exclusively for them.

Coupled with overbuilding in real estate and low prices in oil and gas — the principal areas of partnership investment — the loss of tax shelters has tightened the belt on the industry. This year, investors are expected to pour $13.4 billion into partnerships, compared with a record $19.1 billion only two years ago, according to Fuhrman Nettles, vice president of Robert A. Stanger & Co., a Shrewsbury, New Jersey, investment research firm.

Despite some major casualties, such as the foundering of the $3 billion empire of Craig Hall, a Dallas real estate syndicator, most partnership sponsors are adapting. Faced with declining demand for these investments and a strong stock market, they have reduced commissions and front-end fees and created new ways of financing and structuring deals.

"A lot of the private syndicators are obviously in big trouble," says David B. Levinson, a tax partner at the New York law firm of Rogers & Wells. "But this new marketplace is more efficient. The fees are less and returns are up. What you're seeing is the effects of real economic competition."

Nevertheless, the basic advantages of a partnership investment remain the same. By pooling resources, a

Continued On Page 10

Partnerships That Trade Like Stocks

INVESTORS CONCERNED over liquidity but tempted by the benefits of a partnership might consider master limited partnerships, which are gaining popularity. As William Turchyn Jr., a senior vice president at E.F. Hutton & Co., notes: "MLPs walk and talk like a public offering of common stock."

Master limited partnerships made their debut in 1981, when Apache Petroleum Corp. rounded up 33 of its older oil-drilling partnerships and exchanged their units for shares in a single, public limited partnership that trades on the New York Stock Exchange. While Apache shares plummeted, because of declining oil prices, the idea caught fire.

Spurred by obvious tax advantages, a spate of publicly owned corporations have converted to MLPs. Whereas the federal government taxes corporations twice — once on company revenue and again on dividends paid to investors — a partnership is taxed only once, at the investor level. Thus, some well-known companies, including T. Boone Pickens's Mesa Petroleum Co., have made the swich.

Master limited partnerships have spread to real estate in recent years in a third form that enables companies to raise money from the sale of assets. Pillsbury Co., for example, last year wrapped up 128 of its Burger King restaurants into an MLP, for which the public paid $92 million at $20 a share. In a similar deal, owners of the Boston Celtics are selling a 40 percent interest in the basketball team for $52 million.

Finally, MLPs are being used for new ventures, particularly in cable television. Prime Cable Income Partners is raising money to buy cable stations. But these deals start out as partnerships and will take a couple of years before they are listed on an exchange.

During 1986, the industry's fifth year, 24 new MLPs appeared on the market, raising $2.5 billion, according to Robert A. Stanger & Co. While the majority are in oil and gas and real estate, other areas, including minerals and equipment leasing, also have caught on.

Some analysts deride MLPs as a long-term investment gussied up to attract investors who value liquidity and lower risk. That, they say, belies the nature of the partnership investment.

Further, the stock market is likely to value the assets differently from their appraised worth. "When you are investing in an MLP that is in real estate," says Fuhrman Nettles, Stanger's vice president, "you expose yourself to the vagaries of both the real estate market and the stock market."

A final concern among investors is that MLPs will not survive the scrutiny of Congress or the Treasury Department. The government is concerned that this new form will result in a major loss of corporate tax revenue.

"The market is getting saturated with MLPs," says William G. Brennan, publisher of Brennan Reports. "I don't think Congress will tolerate it. At the rate it's going, what's to prevent GM from being an MLP?" □

Alex Barnum

BOURSES

A U.K. Market For Ventures

By Jeff Ferry

London

FOR TWO HUNDRED YEARS, British business survived happily with only one stock exchange. Then in 1980, the Thatcher government set up the Unlisted Securities Market to encourage the growth of small companies. Now, just seven years later, the Third Market, for still smaller companies, is in action.

The new market is essentially the London Stock Exchange's response to the government's new regulatory system for the securities industry. The rules put forth by the recently founded Securities and Investment Board are expected to cripple, possibly even kill, Britain's over-the-counter market, informal trading in the shares of around 200 small companies that cannot or choose not to seek a USM listing.

Although the OTC market has grown, it has been dogged by scandals. Dealers have gone bust, and investors have lost money. The new Third Market, set up by the LSE with some of the same safeguards that exist in the larger markets, is an effort to create a respectable environment for investment in small companies.

"The full stock-exchange listing," says John Aarons, the LSE's assistant director of policy and markets, "is for companies with a five-year track record. The USM requires three years. The Third Market is for companies with only a one-year record." The market will even accept companies that merely have a sound business plan, provided there is a well-researched product and an expectation of good cash flow in a reasonable period of time.

Of the eight companies that began trading in the Third Market on Jan. 26, only Unit Group, which makes timber pallets, was never traded before. Others, such as Catalyst Communications, a publishing and marketing company, and Aberdeen American Petroleum, an oil explorer and producer, have been traded on the OTC or under special provisions of the stock-exchange rules for small companies. Exchange officials hope to have at least 100 companies listed by the end of the year.

"They are all relatively stable and good-quality companies," says Ted Awty of the accounting firm Peat Marwick, "who want capital either for development or for acquisitions." A typical Third Market company, Mr. Awty says, is likely to have annual profits of £300,000 to £500,000 (about $450,000 to $750,000, at current exchange rates) and a market capitalization of £3 million to £5 million.

But there is no mistaking the much higher risk involved in Third Market companies. "The USM," Mr. Awty says, "is not a quarter as risky as this. This is a high-risk, high-reward opportunity, in a well-regulated environment."

Rory Tapner of the London brokerage firm Rowe & Pitman says small investors will have to study the companies very carefully.

"I'd be looking for something fairly well asset-backed," he says, "with an established management who have at least one or two well-known names on their board of directors."

For a small company, the new market represents an alternative to venture capital. That may have advantages for the company, but potential disadvantages for investors. Indeed, London analysts say it is inevitable that a significant number of the young companies that come to the Third Market will go bankrupt.

"A venture capitalist specializes in offering financial advice, supporting or even replacing management when necessary," says Andrew Davison, managing director of County Development Bank. "The Third Market doesn't offer the continuing support a venture capitalist can give.

"Investing in young companies can be very rewarding," he adds. "We've made returns of 30 percent a year. But that's with a diversified portfolio of over 200 companies, and years of experience of dealing with companies in growth phases."

The LSE's answer to the problem is to require the broker sponsoring a company's entry to the Third Market to take a keen interest in the company's affairs. And a lot will depend on how the sponsor's obligations work out in practice over the coming months. Some venture capitalists doubt that brokers will take a continuing interest on the necessary scale.

S. Redinger

By and large, though, the venture capital community is welcoming the Third Market. Besides offering competition, the new market provides an exit route for venture capitalists when they want to reduce their holdings in a company. It is also seen as a source of positive publicity for small companies with the investing public.

FOR THE BRITISH TAXPAYER, a major attraction is that investments in a Third Market company are eligible for tax deduction under the Business Expansion Scheme. BES allows an individual to deduct up to £40,000 of an investment from his taxable income, provided the investment is held for five years.

Analysts see the BES as a major selling point for the Third Market. However, the five-year obligation may create problems for some.

"Liquidity will undoubtedly be the main problem," Mr. Awty says. "The market will be small, and the amount of equity in each company will probably be less than 50 percent. We'll probably see rapidly fluctuating prices. I expect buying will be O.K., but it might be difficult always to sell at a price."

The OTC market has had liquidity problems. Roger Myers, chairman of Theme Holdings, a restaurant group that now trades on the Third Market, said he found that his company's shares on the OTC "were about as tradeable as the Polish zloty." Experts hope that participation by the market-makers of the larger, more professional brokerage houses will improve the situation on the Third Market. □

The Thorny Issue of Brokerage-Customer Disputes

The Supreme Court will decide whether clients always have a right to sue.

By Phil Roosevelt

Eugene and Julia McMahon sued their broker after losing money in options.

New York

WITH CUSTOMER COMPLAINTS against stockbrokers on the rise, the U.S. Supreme Court takes up a case next month that could dramatically reduce the avenues of recourse available to disgruntled investors.

Until now, brokerage clients claiming fraud under federal securities laws generally have been able to pursue their cases either in court or before arbitration panels run by U.S. stock and options exchanges. But Shearson Lehman Brothers is challenging that notion, arguing that clients who sign certain account agreements common among American brokerages are limited to arbitration. Many attorneys argue that these hearings are unfair to investors.

The Supreme Court review stems from a 1984 lawsuit filed by Eugene and Julia McMahon of Yonkers, New York, alleging that a Shearson broker secretly *shifted* them from stocks into risky options contracts, eventually losing at least half their $450,000 life savings as well as money earmarked for employees of their funeral-home business. Shearson insists the case belongs in arbitration, not court.

"If Shearson wins, it will mean that you probably can't open a brokerage account without giving up your federal rights to a jury trial," says Norman Poser, a professor at Brooklyn Law School. He adds that the outcome will affect customers of American brokerages regardless of nationality or country of residence.

The issue arises at a critical time, for Wall Street's explosive growth during the 1980s has been accompanied by mounting customer complaints. Last year, the U.S. Securities and Exchange Commission received 16,091 complaints about brokers, up 130 percent from 1982.

Regulators and lawyers say that customer claims of "unsuitability" — where the broker recommends an investment inappropriate for the investor — are among the most common, along with misrepresentation, unauthorized trading and "churning," where the broker trades mainly to generate sales fees.

In perhaps the most startling broker case of recent years, Leslie Roberts, a 24-year-old E.F. Hutton broker, pleaded guilty last week to making hundreds of unauthorized trades in his great-uncle's account, running up at least $8 million in losses and commissions. More recently, the daughter of the founder of Wang Laboratories filed a lawsuit against Dean Witter Reynolds, alleging that a broker's unauthorized trading in stock-index options led to losses of $3.5 million in six months.

Brokerages describe the rising complaints as a natural reflection of market growth. "More individuals enter the market, so complaints go up," says William Clark, a spokesman for Merrill Lynch.

But at the same time, doubts persist among investors about the competency of U.S. stockbrokers, who now number more than 72,000, thanks in large part to the extended market rally. Some experts suggest that heightened competition among Wall Street firms is putting new pressures on brokers to make sales and pull in commissions regardless of customer needs.

"No matter how much expertise a broker may claim to possess, he is at root a salesman," says David Robbins, former arbitration director at the American Stock Exchange.

Eager to avoid legal costs and unfavorable publicity, brokerages usually try to resolve disputes privately, offering a settlement if the broker is wrong.

And the houses do take steps to keep complaints from arising in the first place. At Merrill Lynch, as at most other major firms, branch managers review their brokers' accounts on a weekly basis to check for abnormal trading, and that system is backed up by centralized compliance staffs capable of tracking all accounts, says Mr. Clark, the Merrill spokesman.

Stock and options exchanges look over the shoulders of brokerages, routinely inspecting practices at their member firms. The SEC also monitors sales practices.

But neither the exchanges' nor the SEC's investigations will directly result in compensation for aggrieved investors. For customers who are unable to settle privately with their brokers, the main choice has been arbitration or court.

While the Supreme Court ruled in 1985 that investor claims under state laws belong in arbitration, the justices left open the question of fraud claims under federal securities law. Now the court will tackle that issue in the case involving Shearson.

Shearson's attorney, Theodore Krebsbach, says the firm is confident it can defend itself from the McMahons' charges, which include unsuitability, misrepresentation and churning. The brokerage, however, has repeatedly argued that agreements signed by the McMahons when they opened their accounts require that the dispute be resolved, not in court, but in arbitration.

The Shearson customer agreements are similar to those required by a number of other U.S. brokerage firms, but most lower courts have ruled that such agreements are unenforceable when federal fraud claims are involved.

"The issue in the McMahon case is whether investors have a choice in how to redress wrongs or perceived wrongs," says Stirling Lathrop, a Haverford, Pennsylvania, attorney.

EXACTLY HOW the Supreme Court will rule remains to be seen. But certainly the McMahons are facing formidable opposition. Siding with Shearson is the SEC and the Securities Industry Association, the main trade group for the brokerage community.

"In essence, it's a David versus Goliath theme," says New York attorney Theodore Eppenstein, who represents the McMahons with his wife, Madelaine.

Lawyers on both sides agree that the value of the current arbitration procedure is likely to be the focus of the court's review. Exchanges appoint panels of three to five members that include brokerage officials as well as businessmen and attorneys who have no direct ties to the securities industry. Fact-finding procedures common in courtrooms are used sparingly, decisions are never put in writing, and there is practically no way to appeal.

All of this is supposed to provide speedier and less costly dispute-resolution than is afforded by courts. Indeed, while the waiting list for hearings can be up to nine months, hearings are often concluded in just one day, and claims of under $5,000 can be resolved by mail.

Mr. Krebsbach, the Shearson attorney, maintains that "the advantages of arbitration are the same for customers as they are for us." The SEC, too, says arbitration is fair, arguing, basically, that fairness is ensured by SEC oversight.

Despite such claims, advocates of investor rights have a different opinion. "The general feeling among the bar is that an investor with a big case is playing against a stacked deck when he goes into arbitration," says Sheldon Elsen, head of the American Bar Association's task force on securities arbitration.

He and other lawyers argue that arbitration fact-finding procedures can make it all but impossible to obtain the brokerage documents needed to build a case. And, while brokerage officials never make up a panel's majority, critics fear that these officials are inclined to protect their industry colleagues at the expense of customers.

In response, Edward Morris, director of arbitration for the New York Stock Exchange, points out that about 50 percent of all cases result in some kind of award to customers. He declines to describe those awards, however, saying only that he has seen them range from $20 to $5 million.

Regardless of the outcome of the Supreme Court case, a number of experts predict that the renewed focus on arbitration will lead to some long-discussed reforms. Chief among these is to divorce the process from the exchanges, which are essentially owned by the brokerages that make up their membership.

Meanwhile, some lower court judges are delaying broker-client cases until the Supreme Court acts. The justices are slated to hear arguments in March, and a decision is expected to take about three months.

Then there are the McMahons, now in the third year of a legal battle that has gone as far as any case can go.

"It just seems to be dragging on," Mrs. McMahon says. "We thought it would have been concluded a long time ago." □

The Focus of Partnerships Shifts

Continued On Page 9

partnership offers investors a direct stake in a major project — a shopping center, an oil well or even a basketball team — without the responsibility for managing it. Investors can have income — or losses to shelter other partnership income — during the program's life and a substantial capital gain when the program is resold or refinanced.

But, by the same token, the disadvantages are also apparent. These investments are usually complex, often risky and generally lack the regulation of other investments, such as stocks. Tales of abusive and fraudulent deals abound. Furthermore, they require large investments over long periods and have heavy penalties for bailing out.

Partnerships are creatures of state laws and regulations vary accordingly. Generally, most states require syndicators to file a prospectus that outlines a deal's risk. In addition, public partnerships must be registered with the U.S. Securities and Exchange Commission, although regulations are not as strict as those for stock offerings.

Typically, a limited partnership is composed of limited partners, who put up most of the money, and a general partner, who organizes, manages and, through a broker, markets the program. General partners charge fees ranging from 12 percent to 25 percent of a deal's value at the outset and often receive from 10 percent to 25 percent of the profits from resale or refinancing. The big payoff is expected at the end of the deal, about 10 years in real estate.

These investments generally fall into two categories: private and public. Private partnerships, which include most tax shelters, usually have no more than 35 partners who are willing to meet a minimum investment requirement of at least $50,000. By contrast, public partnerships seek many more investors, and investment minimums could be as low as $5,000.

Although private partnerships will be most affected by the tax change, some sponsors have long been managing income-oriented deals and have little to fear. One such company, Brookhill Group, a New York-based firm that manages mostly commercial properties in medium-size cities, offered investors a stake in a shopping center in Manchester, New Hampshire.

Beginning in 1984, Brookhill raised $2.1 million for the project, South Willow Properties, from 28 investors who paid $75,000 each. Brookhill bought the properties outright and quickly raised rents, thus increasing the deal's cash flow from 3.5 percent at the outset to 11 percent annually. The deal represented a departure from earlier financing methods, in which 60 percent borrowing would have been typical.

"Investors are interested in more immediate cash flow," says Ron Bruder, Brookhill's president. "We stopped doing higher leverage transactions because the marketplace isn't oriented that way." But while investors feel more comfortable with less borrowing, he adds, the potential for greater appreciation that it generates is also lost. "Basically, it's a trade-off."

Such deals support the notion that, despite new mass marketing, partnerships remain the province of the wealthy investor. Indeed, federal law requires partnership prospectuses to include "suitability requirements," such as minimum annual income and net worth. These rules vary widely according to a deal's risk, from $25,000 in income and $50,000 in net worth for public deals to as much as $200,000 in income and $1 million in net worth for a private deal.

FOR MOST partnerships, Mr. Brennan, who advises individual clients on these matters, says investors should have a minimum annual income of $100,000, a net worth of at least $400,000 and some diversity in equities and fixed-income investments. The typical investor, he says, is "looking for more diversity and higher cash flow and willing to afford more risk."

As the public market has taken hold, the admission price has begun to drop. For example, Integrated Resources offers investors a stake in High Equity Partners, which owns three shopping centers, one office building and a bank. The minimum investment is $2,500.

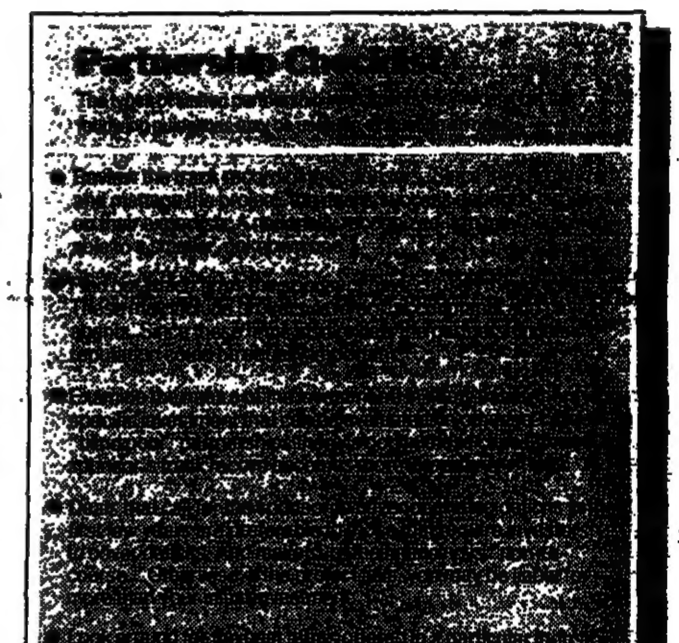
Following the trend in financing, High Equity Partners has no debt and thus pays investors current income. Integrated Resources projects a 10 percent average annual return over the 7-to-10-year life of the project. There is a one-time 6 percent acquisition fee and a 6 percent annual management fee. And in its first foray into international markets, the company is offering the partnership for a minimum $10,000 investment to West German and Swiss investors as well.

By far one of the more ambitious programs aimed at attracting foreign investors has been launched by Southmark Corp., a Dallas company that manages $3.5 billion in 317 partnerships.

Focusing its marketing efforts on West Germany, where potential demand is greatest and the savings rate is high, Southmark is hoping to raise $20 million for two shopping centers, in Panama City, Florida, and Camarillo, California. So far, only $2 million has been raised from investors, whose $10,000 investment is expected to yield 7.5 percent annually at the start of the seven-year program.

But Southmark expects to raise the balance by September. In addition to legal and regulatory barriers, says Richard D. Spence, president of the company's international division, Southmark has found investors reluctant to get into projects that have very little liquidity. The key, he adds, is establishing a good broker-dealer network, which Southmark has done through Instag, a firm in Cologne, West Germany.

In addition, Southmark is in the process of altering the structure of its program to give foreign investors greater anonymity. Soon, says Mr. Spence, investors in the partnership, Southmark International Income Partners, will own securities in a Netherlands Antilles corporation that in turn will invest in the American real estate. The securities will pay a minimum 7.5 percent interest, producing the same yield as a partnership unit, he says.



Compared with other investments, real estate limited partnerships have done well. A study by San Francisco-based Liquidity Fund shows that before-tax average annual returns for partnerships were 12.5 percent between 1973 and 1985. During the same period, the Standard & Poor's 500 Stock Index rose 6.4 percent and long-term corporate bonds were up 3.9 percent. Indeed, during periods of high inflation, real estate was the only investment with a positive rate of return, the study found.

"Over a period of ten years, real estate will bail you out of most of the economic cycles," Mr. Nettles says.

Still, real estate experts say that, because of overbuilding, attractive investments are few and far between. Says Richard Kateley, executive vice president of Real Estate Research Corp. in Chicago: "It is difficult to find properties that are producing cash returns. If you can get 9 percent today you are doing extremely well." What market strength remains, he adds, is in industrial and retail properties in the Northeast and California.

While real estate accounts for 60 percent of the partnership market, numerous deals still can be found in oil and gas, traditionally the second-largest sector. Despite the decline in oil prices, some investment advisers are enthusiastic about this market. Says William F. Kovacic, a financial planner in Hickory Hills, Illinois: "Now is the most opportune time to invest in energy."

Many of the major oil companies, says Mr. Kovacic, are unloading good drilling sites to increase cash flow, offering them at one-third and one-quarter cost. He suggests developmental drilling programs are safer and more income-producing than exploratory programs.

Because of restrictions on foreign ownership of federal oil land, however, some questions remain about whether foreigners can hold these investments. While many do, says Theodore Borrego, a partner at the Dallas law firm of Johnson & Swanson, "there has never been a direct ruling on it." A partnership "probably would not be permitted if foreigners owned a controlling interest," he says.

The third popular area for partnership investment is equipment leasing. In these deals, partners buy into assets, such as machinery, trucks or computers, that are leased to corporations. Benefits are primarily in the income generated from these leases.

In one such partnership, PLM Equipment Growth Fund, which owns and leases transportation equipment, investors with a minimum $2,500 investment can expect a 10 percent average annual distribution, according to the offering. When the partnership is ended after 10 to 12 years, however, the equipment is likely to have depreciated in value, Mr. Brennan explains. Brokers do not always point this out, he cautions.

One feature of partnerships that scares off many investors is their lack of liquidity. Says Mr. Levinson, of Rogers & Wells: "This is the kind of investment you buy and hold."

Nevertheless, a substantial secondary market has grown up, offering investors a way out of these investments. Firms that buy partnership interests include Liquidity Fund, MacKenzie Securities and the Partnership Securities Exchange.

But when units of a partnership are sold before their maturity, there is likely to be a large discount from asset value. For an income-producing, public partnership, investors are likely to lose at least 35 percent of the value of their program, Mr. Nettles says.

With such large discounts and the continued interest by investors to unload partnerships before their maturity, the secondary market may have some of the best partnership values, reasons Mr. Brennan. Partnerships managed by reputable sponsors are available through the secondary market, he says. "You might be able to get a good buy." □

Closed-End Fad: Some Stars Have Stumbled

By Cynthia Catterson

New York

AMONG the hottest initial public offerings of 1986 were closed-end funds. Investors snapped up about $4 billion of such offerings in the United States, the greatest surge of new closed-end funds since the 1920s. By the end of the year, though, the market was having trouble digesting the new issues and their performance was suffering.

Some buyers were no doubt beguiled by heavy marketing and the reputation of the funds' sponsors, who included big-name money managers and newsletter authors such as Mario Gabelli, Martin Zweig and Charles Allmon. By the time December rolled around, discouraged investors looking for tax losses sold their closed-end shares. Says Calvin Puckett, president of Simms Capital Management: "Once the bubble burst, the funds all dried up."

Mr. Zweig says he had expected the year-end setbacks to cool the market for a while. "But the funds seem to have bounced back, and new issues have already announced, so I'm beginning to change my mind," he says.

In mid-January, Merrill Lynch offered the $1.3 billion Duff & Phelps Selected Utilities Fund, which invests in equity and fixed-income securities of the public-utilities industry. Oppenheimer & Co. plans to launch a $100 million issue dubbed the Quest for Value Dual Purpose Trust. Such offerings can pay well for underwriters, who earn as much as three times the commission for selling new issues over existing funds.

Still, some market watchers view the Duff & Phelps issue, the largest closed-end entry ever, as the beginning of the end for the latest wave of these funds. Thomas J. Herzfeld, a Miami, Florida, adviser who specializes in closed-end funds, says investors would probably do better to look beyond the new entrants to more seasoned issues in this sector.

Mr. Herzfeld notes that the share prices of many of last year's closed-end offerings quickly soared to stiff premiums over their net asset value — the value of the underlying portfolio divided by the number of shares outstanding — and then sunk to discounts. According to Mr. Herzfeld, last year's new issues typically sold at an average premium of 7 percent for the first three months after coming to the market, then dropped to an average 8 percent discount within the following three months.

"There was a lot of money lost by initial investors, and money made by those who came in later," he notes.

Followers of closed-end funds — so called because they maintain a fixed number of shares — generally look for issues trading at a discount to their net asset value, on the principle that the investor gets more bang for the buck and stands to gain if the discount narrows as the market perceives the undervalued situation. The accepted view is that funds trading at a premium should be avoided unless there is a compelling reason to expect the issue to surge.

Even at these discounts, Mr. Herzfeld is steering clear of many of last year's issues. Instead, he is focusing on some special situations such as the Emerging Medical Technology fund, managed by AMA Advisors, an affiliate of the American Medical Association.

The fund invests in the development of medical products and services. It trades at about $13.875, a 7 percent discount to its net asset value. Mr. Herzfeld attributes the discount to the relative obscurity of the fund, which trades on the American Stock Exchange and has no active sponsorship among brokers. Mr. Herzfeld would be a buyer when the discount reaches 10 percent.

Another Herzfeld favorite is Baker Fentress, which manages an extensive blue-chip portfolio with the goals of long-term growth and moderate income. He notes that the officers of the management company own a substantial portion of the fund's equity. The management tends to buy back shares when the discount widens to more than 15 percent, he says. Baker Fentress sells on the over-the-counter market at about $45.50, a 16 percent discount to its net asset value.

Monitoring the movement of discounts is an important part of playing the sector. Discounts can just as easily widen as they can narrow, with negative consequences for returns. Specialists suggest that investors track the fund they are considering for a while and wait until discounts are no less than 5 percentage points wider than the average discount of the fund before buying.

Disappearing Premiums

Fund	October 1986 Price	October 1986 Net Asset Value	October 1986 Premium	January 1987 Price	January 1987 Net Asset Value	January 1987 Discount
Zweig Fund Martin Zweig	$10	[illegible]	+7%	[illegible]	[illegible]	[illegible]
Gabelli Equity Trust Mario Gabelli	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cypress Fund Mitchell Hutchins Asset Management	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Global Growth & Income Fund First Boston Asset Management	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Worldwide Value Lombard Odier	[illegible]	$17.53	[illegible]	[illegible]	[illegible]	[illegible]

Thomas J. Herzfeld Advisors Inc., Miami

The Italy Fund is one example of a fund issued last year that has swung to such deep discounts that Mr. Herzfeld senses opportunity. The fund, which invests only in Italian securities, has moved from a premium of more than 40 percent in last March to a discount of about 23 percent, he notes. Another "single country" issue he finds attractive is the First Australia Prime Income Fund, whose premium has eroded since it took a pummeling from the drop in the Australian dollar.

Indeed, there can be cases when a premium need not be a deterrent. The Korea Fund, managed by Scudder Stevens & Clark, is an example of an issue that still enjoys strong demand despite a stiff premium. It has been one of the few vehicles available for foreigners to invest in the South Korean market, although a EuroKorea Fund is reportedly being readied for launch on the London Exchange in March.

The Korea Fund's premium has ranged from 30 to 100 percent of its net asset value since it was launched at a 13 percent premium in August 1984. "The high premium primarily reflects investors' confidence in the current industrial boom in Korea," Mr. Puckett notes. There has been talk of the fund's value tripling within the next five years.

Some analysts belive the optimism is overdone. They cite the instability of the Korean government and question whether the Korean economy can continue its strong growth. Even if these worries prove unfounded, Mr. Puckett says, premiums could plunge as the Korean government follows through on plans to open the market to foreign investors during the 1990s.

Nicholas Bratt, the Korea Fund's president, concurs that premiums will gradually shrink as other means of access, such as the EuroKorea Fund and convertible bonds issued by Korean companies, provide alternative foreign investment opportunities. But he still expects the fund's price to climb. "Premiums may narrow, but the net asset value and the share price will be higher," he says.

"People are buying designer funds, like people buy designer clothes."

ANOTHER USEFUL exercise is to compare how a fund stands in relation to other funds with similar assets and objectives. Investors who did so last year might not have been so enamored with the offerings by U.S. investments stars, suggests Mr. Herzfeld.

"People are buying designer funds, like people buy designer clothes," he asserts. "There are plenty of qualified managers who are not in the limelight, who have records that are just as good, but their funds are not selling at the high premiums."

Mr. Herzfeld says it is often useful to compare U.S. closed-end offerings with similar issues listed on the London Stock Exchange, where the different investment climate can produce intriguing results.

Last March, he notes, the Growth Stock Outlook Trust, a fund managed by Charles Allmon, a highly successful adviser and newsletter author, was launched in the United States at $10 a share, a 7 to 8 percent premium to its net asset value. About the same time, on the London Stock Exchange, the Edinburg American Assets Trust, a closed-end fund of comparable makeup and strategy, was selling at a 21 percent discount for $1.60 a share.

By January, however, the premium on Growth Stock Outlook Trust had turned into a 10 percent discount as the share price dropped to $8.83. The shares price of the Edinburgh fund, which is managed by Ivory & Sime, had climbed to $1.87 and narrowed its discount to 18 percent.

One London-listed fund that Mr. Herzfeld recommends is London Trust, which specializes in venture capital projects in technology. Managed by the San Francisco-based firm of Hambrecht & Quist, it is selling at about a 35 percent discount to its share price of just under $1. He says the fund gives investors a means to participate in venture capital while maintaining liquidity. □

How Funds Get Locked In

ONE of the attractions of buying a closed-end fund with a hefty discount has typically been the possibility that management might decide to go "open-end."

This means the fund would be turned into a mutual fund, whose prices mirror their net asset values. In that event, investors who bought the fund at a discount before it "opened" would reap an immediate profit, being able to redeem their shares at net asset value.

Traditionally, shareholders fed up with persistently deep discounts could try to muster enough votes to force the fund to liquidate, change management or become open-ended to protect their investment. Indeed, institutional investors in Britain have put more performance pressure on fund managers there to maximize share values or face what is called "unitization" in British parlance.

But many of the newer American funds now carry anti-takeover provisions in their bylaws and charters designed to frustrate any effort to buy up the shares at a discount with the aim of forcing changes on management. These provisions have the effect of putting most of the decision-making clout in the hands of the managers.

Thomas J. Herzfeld, an investment adviser who specializes in closed-end funds, says closed-end funds that have such restrictions are like ships without lifeboats.

"There's no way for investors to save their money if the fund starts to turn sour," he says. He recommends avoiding funds with anti-takeover provisions unless they are trading at extremely wide discounts.

Of the new issues that do not include such provisions, Mr. Herzfeld sees the First Financial Fund as a likely candidate for reorganization. The fund, which was issued last May, is one of five that invests in regional banks and thrifts. All five funds have gone to wide discounts of about 18 percent.

However, First Financial is the only one that does not have anti-takeover provisions in its charter. In addition, the fund is managed by Wellington Management, which also runs the Vanguard group of mutual funds. That factor, he believes, is likely to weigh heavily in favor of First Financial's reorganization. □

Cynthia Catterson

THE TRADER

A Renewed Fascination With Warrants

By James C. Boland

New York

THE ALLURE OF STOCK WARRANTS — rights that allow investors to buy common shares for an extended time at a fixed price — tends to rise and fall with speculative fervor. The game offers both big rewards and high risks. Indeed, many holders of warrants *have done quite well in the recent Wall Street surge.* But not all warrant holders have struck gold; many issues covered by warrants are smaller, obscure companies bypassed by the bullish crowd. Stock options, another speculative play, have done much better on average.

However, in some ways, warrants are often more attractive than options. While both represent a right to buy stock at certain prices, the longest life of a listed option is nine months. Many warrants have years to run, enabling an investor to place a relatively low-cost, long-term bet on a company.

When the bet is successful, a warrant payoff — like an option payoff — can far exceed the returns on the related common stock. In the last year, ICN Pharmaceuticals, which trades on the New York Stock Exchange, ran from $10.25 to as high as $34. But in the over-the-counter market, the ICN warrants, which entitle the holder to buy the common at $9 through May 1989, shot from $4.25 to $26.25. The gains: 231 percent for the stock, 517 percent for the warrants.

Of course, the volatility sword can cut both ways. By the end of January, ICN common had fallen about 28 percent from its peak, to $24.50, while the warrants had sagged 39 percent, to $16. And that was a modest drop compared with the routs in some other warrants tied to falling stocks.

The warrants on MCI Communications, which enable the owner to buy the common at $27.50 until August 1988, have traded as low as 6 cents in recent weeks, as the stock drifts just over $6. For the warrant, that is a loss of more than 99 percent since *1983, when the stock topped* $28.

The market in warrants is a bazaar of unique and sometimes puzzling creations. They are usually issued by lesser-known companies as part of financings to lower interest rate costs or raise equity sale' prices by offering investors a kicker. Many warrants are issued by companies whose stocks are not covered by options.

A warrant may give the holder a right to buy a full share at a certain price, or a partial share. The exercise price may change at various dates, $8 until 1988, for example, $9 after that. Some warrants may be called back by the company at certain prices before expiration. Expirations may be extended or other terms adjusted. In addition, stock bought by some warrants can be paid for with bonds, preferred stock or another senior security of the issuer, at face value. If such securities are trading below par, this can create a discount in the effective exercise price.

"You are buying them for leverage, looking for more bang for your buck," says Allan S. Lyons, executive editor of Value Line Convertibles, a survey covering convertible securities, including about 95 actively traded warrants. Warrants, on average, are three and a half times as volatile as common stocks, according to Mr. Lyons, but "only one-third as risky as the typical option." The difference is largely a product of the differing lifetimes of the securities — in theory, infinite for a stock, years for a warrant, and months for an option.

Mr. Lyons looks for "favorable leverage, where the warrant will move up faster than it will go down on equal moves in a stock." Usually, such favorable *leverage can be found in an inexpensive, but long-*lived, warrant on a stock trading not far below the exercise price.

"If the stock goes up 10 percent, the warrant may go up 100 percent," Mr. Lyons says. "But if the stock goes down 10 percent, the warrant may only go down 40 percent." This is because investors will pay something for the warrant on the chance the stock will recover.

As an example, Mr. Lyons cites the warrant on Clabir Corp., a small holding company trading at about $7.625 on the NYSE at the end of January. The warrant, quoted at about 69 cents on the American Stock Exchange, enables the owner to buy a share of Clabir's Class B common at $9.34 until July 1991. However, using Clabir's $3.31 preferred stock in payment cuts the effective exercise price to $7.85, just about the common's current level.

"On a 25-percent rise in the stock, we calculate the warrant would go up 175 percent," Mr. Lyons says. "On a 25 percent drop, we think the warrant would go down only 35 percent."

Warrants on three interest-sensitive Big Board issues were cited recently by Value Line Convertibles as timely buys:

- The Federal National Mortgage Association (Fannie Mae), exercisable at $44.25 until February 1991, trading over the counter at about $14.50, versus $42.25 for the common;
- Mortgage and Realty Trust, good for 1.5 shares at $20 a share until January 1992, trading at $3.13 on the Amex, versus $22 for the common;
- *Student* Loan Marketing Association (Sallie Mae), exercisable at $100 until August 1991, *trading* over the counter at $13.75, versus $72.75 for the common.

But Sidney Fried, editor of the RHM Survey, which covers warrants, options and low-priced stocks, described warrants on Fannie Mae and Sallie Mae as "just trading vehicles," lacking the spectacular leverage of a low-priced warrant. Indeed, Mr. Fried finds that the 500 issues his 25-year-old service monitors are overpriced as a group.

"The play in warrants comes when a market turns down sharply and warrants go down to pennies," Mr. Fried said. "Then, if there are enough years left in the warrant and the company survives, you can get some tremendous leverage. The real play is great patience."

Mr. Lyons said that warrant premiums appear to be relatively higher now than those on options, reflecting speculative interest. □

STRATEGY

Merchant Banks: The Ardor Cools

Scandal and competition cloud their propects.

WHEN ROD BARRETT talks about shares in Britain's merchant banks these days, it is with a subdued tone that contrasts sharply with the excitement that surrounded the sector last year. "The outlook is for a flat year," says Hoare Govett Ltd.'s banking analyst. "There are no buys for now."

This negative view is fairly common in London's financial district. Roiled by scandals and faced with an uncertain profit picture, most analysts have been warning their clients to tread warily among merchant banks in the months ahead.

Of immediate concern to many experts is the adverse publicity being generated by the Guinness PLC affair and speculation about Morgan Grenfell & Co.'s possible involvement in a stock-manipulation scheme. Most analysts expect the scandal to dominate headlines for some time and the prospect of a steady stream of revelations has made many cautious of the sector as a whole.

Christopher Davis, an analyst at L. Messel & Co., fears that merchant banks that have little interest in the merger and acquisitions business at the heart of the current scandal "may be dragged down in this bloodletting."

Indeed, the tougher takeover disclosure rules issued late last month have already taken a toll on the sector.

Merchant banks, most notably Morgan Grenfell and Hill Samuel Group PLC, have been the focus of takeover talk for some time. Many analysts felt foreign investors were especially interested because of what were perceived to be undisclosed assets and the key position of merchant bank's in London's financial industry.

But it is widely feared that the new regulations, which require investors to disclose their share dealings after acquiring more than 1 percent of a company involved in a takeover, will frighten potential suitors away.

At the same time, analysts have deep reservations about the earnings potential at several banks. Merger and acquisition activity is expected to be down sharply this year now that many of the big deals are completed. Moreover, they say the fallout from the Guinness affair may further diminish opportunities.

"There is no shortage of messages from the authorities that [the merchant banks] should play the game fairly or see an SEC-type of regulatory body," says Hoare Govett's Mr. Barrett, referring to the U.S. Securities and Exchange Commission. "The general impression is that the hostile merger-takeovers will fade from the scene."

The prospect of lost revenue comes at a particularly bad time for many of the merchant banks, which have seen competition increase and overhead soar because of the "Big Bang" of deregulation. On average, some analysts expect 1987's earnings to be about half of last year's gain.

Merchant banks have had to bolster their securities research and trading departments, often paying significantly higher salaries to attract and keep talent.

At the same time they have seen the dominance in London's capital markets come under pressure from a number of new players, notably from the United States. Analysts say this is especially true in the fixed income market, where dealings in British government bonds, or gilts, had traditionally generated comfortable earnings.

"It was always a question on people's lips as to whether there is enough profit to go around," Mr. Barrett says. "Everyone said they would tough it out. Well, now they are toughing it out."

Despite the distinctly bearish outlook, analysts still expect some merchant banks to emerge relatively unscathed. John Tyce, an analyst with Laing & Cruickshank, likes Schroders PLC and its successful fund management business.

He also gives high marks to Schroders's decision to sell its U.S. subsidary and life insurance interests and invest in Wertheim & Co., a U.S. brokerage. Mr. Tyce foresees possible earnings at Schroders of £30 million in 1987 (about $45 million, at current exchange rates) compared with an estimated £19 million last year.

Messel's Mr. Davis, meanwhile, is paying attention to merchant banks that are not overly dependent on M&A activity, such as Hambros PLC.

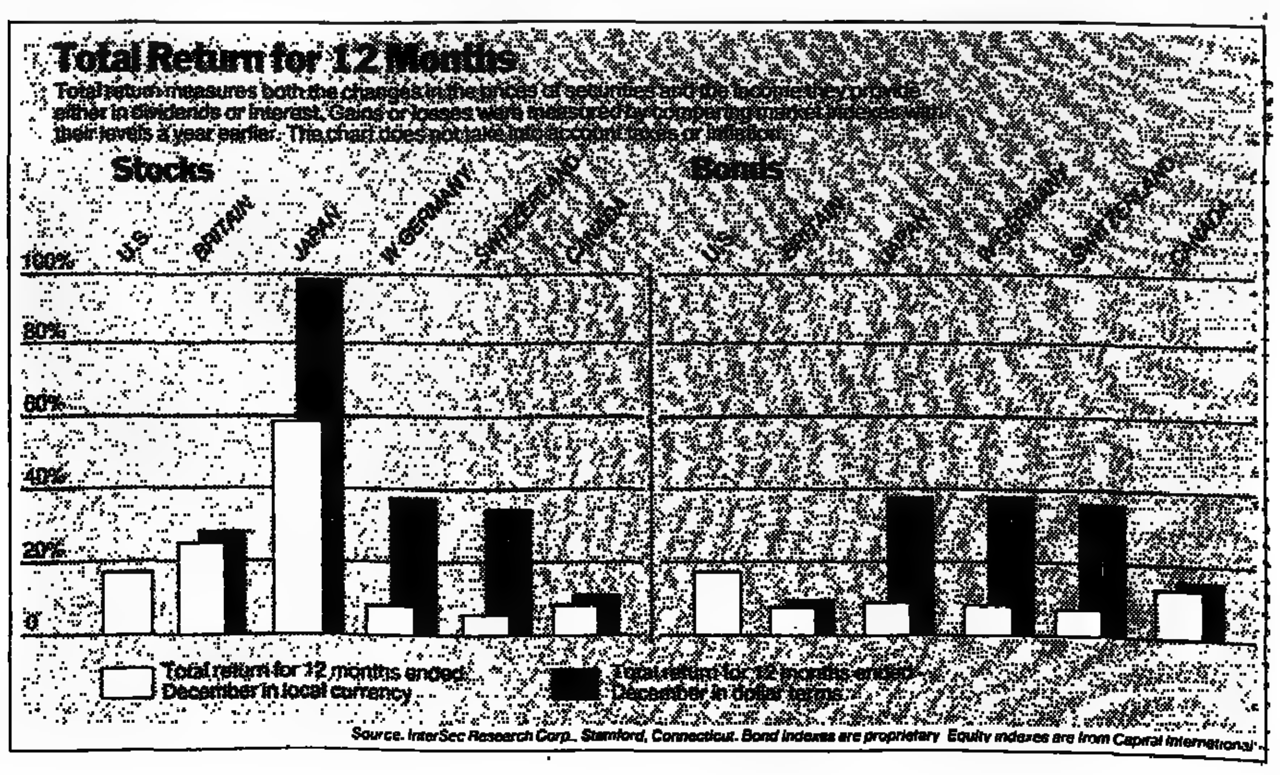
"Whatever their high profile and varied interests," he says, "at the end of the day they are still commercial banks." □

John Meehan

Market Scoreboard

Stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in January.

GAINERS	Percent Gain	Price Jan. 30	LOSERS	Percent Loss	Price Jan. 30
New York Stock Exchange: Compiled by Media General Financial Services. Prices in dollars					
Southwest Forest	74	31.13	Fisher Foods	26	10.38
First Capital Holdings	66	24.75	Fischbach Corp.	20	20.88
Franklin Resources	50	49.63	Wells Fargo Mortgage	20	22.63
Pope & Talbot	48	34.00	Arkansas Best Corp.	17	22.13
Mattel Inc.	47	12.13	TDK	15	40.75
General Datacomm.	47	11.75	Circle K Corp.	12	14.13
Carter-Wallace	46	109.75	Fabri-Centers	12	10.38
Computervision	45	19.38	Far West Financial	11	12.38
Computer Assoc. Int'l	44	39.50	Knogo Corp.	11	20.13
Keystone Consol.	42	10.13	Republic New York	10	51.50
American Stock Exchange:					
Home Shopping Network	105	38.00	Wherehouse	17	11.75
Entertainment Market.	63	11.63	American Fructose B	15	10.75
Datarex Systems	60	10.63	Fur Vault	12	10.63
Gulf Canada	55	17.63	Everest & Jennings	12	12.50
Penn Traffic	53	31.25	National Healthcorp	10	15.88
Over the Counter:					
Northwestern States	86	10.25	Endotronics	49	10.50
NEECC Inc.	85	12.50	Commonwealth Banc.	26	24.50
Continuum Co.	80	16.25	Home Federal Maryland	25	10.50
Braintree Savings	73	22.00	Hauserman Inc.	22	14.75
Quincy Co-op Bank	72	27.25	Highland Superstores	21	13.75
London Stock Exchange: Compiled by Morgan Stanley Capital International. Prices in pence.					
BSR International	38	113	Pearson	7	573
Tricentrol	34	91	ASDA-MFI Group	6	146
United Newspapers	31	478	Burton Group	6	267
Hill Samuel	29	516	Int'l Thomson	5	647
Assoc. Newspapers	29	526	Imperial Continental	4	585
Metal Box	26	226	Hammerson Property	4	445
Courtaulds	25	380	Dixons Group	4	307
De Beers	23	623	Simon Engineering	2	290
Lex Services	23	349	Standard Chartered	2	779
Glaxo Holdings	23	1,291	Hambros	2	243
Tokyo Stock Exchange: Compiled by Morgan Stanley Capital International. Prices in yen.					
Long Term Credit Bk.	69	18,300	TDK	20	3,090
Sanwa Bank	63	2,440	Matsushita Commun.	20	2,720
Bank of Yokohama	62	1,640	Omron Tateisi	20	1,240
Taiyo Kobe Bank	61	1,200	Jeol	19	728
Bank of Tokyo	60	1,490	Fanuc	19	5,180
Sumitomo Trust	55	4,190	Kokusai Electric	18	1,660
Kyowa Bank	54	1,180	Makita Electric	18	1,170
Fuji Bank	49	2,770	Toyota Motor	17	1,830
Nippon Steel	47	249	Japan Radio	17	1,040
Hokkaido Takushoku Bk.	46	877	Nitto Electric	17	1,660



Source: InterSec Research Corp., Stamford, Connecticut. Bond indexes are proprietary. Equity indexes are from Capital International.

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Herald INTERNATIONAL Tribune.

BUSINESS/FINANCE

EUROBONDS

Frenzy for Dollar Looked Overdone by Week's End

By CARL GEWIRTZ
International Herald Tribune

PARIS — The dollar was back in favor last week, carried higher by a wave of euphoria that put the worst of America's economic problems in the past tense. The mood was set by a batch of positive economic statistics indicating a quickened pace of activity — the leading indicators index up 2.1 percent, nonfarm employment up 480,000 — coming on top of the Jan. 30 report of a decline in the U.S. trade deficit for December to $10.7 billion from November's $19.2 billion.

That narrowing, much bigger than expected, ignited hopes that the 17-month long slide of the dollar, which had been gathering speed since the beginning of this year, had finally reached a level that would significantly reduce the trade deficit.

Better U.S. economic statistics should be bad news for the bond market.

The Japanese were clearly impressed by the trade figures. Traders were also convinced that the dollar's failure to drop below 150 yen had made that a stable floor. And they were encouraged by late-week reports that U.S. Treasury officials, who had been talking the dollar down, now agree with Federal Reserve officials about the dangerous inflationary impulses that would be set off by further devaluation.

Whether this means they feel that the dollar has declined enough or whether the depreciation simply needs to come in smaller, more cautious doses remains to be seen. But the reported Treasury-Fed accord gave the foreign-exchange market a signal to buy the dollar.

The Japanese were big purchasers, in part to pay for their purchase of a large slice of the 30-year bonds auctioned by the U.S. Treasury last week, and in part to repay dollars that had been borrowed to finance earlier purchases of dollar securities.

Those borrowings had eliminated the exchange risk for Japanese investors. But now, with the dollar looking cheap, the Japanese began to unwind these hedging operations and sold yen to buy dollars to pay off the loans.

AS THE DOLLAR soared through levels that traders considered important "resistance points," the dollar's appreciation began feeding on itself. Money that had been invested in Deutsche mark bonds moved out, locking in as much of the profit as could still be had from the currency's recent appreciation, adding more lift to the dollar.

But by the end of the week, it was all looking a bit overdone. The statistics indicating a buoyant economy may be good for the stock market, but should be bad news for the bond market, as they preclude a further cut in interest rates and might signal a faster pace of inflation.

In addition, although the Treasury and the Fed may now see eye to eye on a need for more exchange-rate stability, it does not follow that either is prepared to see the dollar appreciate so long as economic growth in West Germany and Japan remains in the doldrums. Faster U.S. growth and an appreciating dollar will mean a widening U.S. trade deficit and increased domestic pressure for protectionist trade measures.

The ebullience in the international capital market was best demonstrated by the flood of currency contracts giving investors options to buy dollars at fixed exchange rates.

No two contracts were alike. Three were to buy dollars at a fixed rate of exchange in marks. Citibank's two-year options, priced at $39 each, were at an exchange rate of 1.82 DM per dollar. Swedish Export Credit used an exchange rate of 1.79 DM and priced its 18-month options at $39 each and five-year options at $59.

Options using the Swiss franc were offered by Swiss Bank Corp., Merrill Lynch and Citibank. SBC sold two-year contracts at $36.20 to buy dollars at 1.6 francs. Merrill's five-year options, offered at $50 each, set an exchange rate of 1.567 francs, while Citibank's five-year contract fixing a rate of 1.55 francs was offered for 84 Swiss francs.

DG Bank sold 18-month options to buy British pounds at a fixed rate of 2.74 DM.

The most obvious option, yen against dollars, was strangely missing until Royal Bank of Canada announced its intention to offer two-year contracts to buy or sell yen. The call contract, indicated at $34.50, is to give holders the right to buy $500 at 155 yen. The put, to be priced at $36.50, will entitle holders to sell $500 at 145 yen.

Other banks that had been knocking at the door of Japan's Ministry of Finance for permission to use the currency this way were taken aback and suspected that Royal Bank had failed to seek approval. Thus, there was some question whether the bank would be forced to withdraw its proposed offering on Monday.

As far as economists are concerned, the only point in common with all these options is that they are expensive. Looking at

See EUROBONDS, Page 15

To Cure 'Capitalist Vice,' Cuba Applies Austerity

By Joseph B. Treaster
New York Times Service

HAVANA — Last spring, Fidel Castro discovered that a garlic farmer was making $50,000 a year by privately selling what he had left over after meeting his quota for the state agriculture system.

A little later, Cuba's 59-year-old leader came across another farmer who had bought two trucks to haul fruits and vegetables. He was making $150,000 a year, 30 times what the Communist government pays a surgeon.

Mr. Castro, who preaches socialist equality with the fervor of a Bible-belt evangelist, soon found that many farmers, truckers and brokers were making big money supplying produce and meat to the scores of private farmers' markets that he himself had initiated in 1980 to stimulate production and to reduce food shortages.

He was stunned. His revolution, now in its 28th year, was being deformed, he said. Cuban Communists were behaving like "capitalists in disguise."

Not only that, the revolutionary work ethic that Castro and Che Guevara trumpeted in the early days of their victory over the Batista dictatorship seemed to have vanished.

At state-run factories and farms throughout this island of 10 million people, personnel rosters were bloated and workers were putting in only four or five hours a day. Even where production and quality were dismal, many managers were giving bonuses and some workers were drawing double salaries.

A ring of physicians employed by the state was caught selling faked health certificates that permitted early retirement for $1,500 each. One artist earned $180,000 selling his paintings to government institutions, but apparently had done nothing illegal.

It was "generalized vice," Mr. Castro said. In anger, he shut down the thriving farmers' markets in May, even though they seemed to have nearly ended the shortages of produce and meat that had been so common in Cuba in the 1970s.

The stalls are still standing, but the farmers have been replaced by state employees selling fruit and vegetables at what are now government markets.

"Before, the variety was greater," said a woman shopping at one of the markets on the eastern edge of Havana on a recent Sunday. "Today they had bananas but not the kind you cook. Lettuce and carrots didn't come in at all."

A teacher in his late 20s said that the private farmers should not have been making so much money. "But they were solving a very serious problem," he said. "It was good for the people."

The manager of an office in Havana said she had never visited the farmers' markets. But she had seen farmers and their wives in a store in Havana that sells expensive appliances and luxury items, she said, and she resented them.

Within weeks after closing the farmers' markets, Mr. Castro halted his other major venture into capitalism: private home ownership, including the right to build one's own home.

The goal of the program, which lasted a year, had been to satisfy a yearning among Cubans for title to their state-owned houses and apartments and to rid the government of huge maintenance costs. But some people, Mr. Castro said, were "getting rich," buying, selling and trading homes.

Those who did buy homes presumably will be allowed to keep the homes or pass them on to other family members, but will only be able to sell them to the state, at government-fixed prices.

The clampdown in Cuba has come as other Communist countries have eased restraints on entrepreneurship. The Soviet Union, for example, said recently that it was considering allowing the private operation of some restaurants.

China has thousands of free markets that sell everything from farm products to used motorcycles. And 80 percent of the restaurants opened in China in the last nine years are privately owned.

Against such a backdrop, Mr. Castro's disapproval of too much individual wealth may seem old-fashioned.

"No one was born a revolutionary," the Cuban leader told a Communist Party congress. "We

See CUBA, Page 17

Fidel Castro at a meeting of the Nonaligned Movement.

U.K. Aides Back Funds for New Airbus Series

By Warren Getler
International Herald Tribune

LONDON — Britain appears set to become the first European nation to offer financial support for a new generation of Airbus Industrie planes.

The move, according to senior British trade officials, would be in part a "backlash" against complaints by U.S. officials last week about large government subsidies to Airbus aircraft.

Geoffrey Pattie, Britain's trade minister responsible for aerospace, said Sunday in a telephone interview that the Department of Trade and Industry "is in a position to make British Aerospace an offer" of financial support for the new generation of Airbus jets, the medium-range A-330 and the long-range A-340.

British Aerospace PLC has requested £750 million ($1.13 billion) in aid from the British government to begin production of the planes. Overall, more than $3 billion in launch aid has been requested from the British, French and West German governments by Airbus companies in those nations.

"In terms of the climate" favoring such subsidies, said Mr. Pattie, "it was not particularly harmful to have had senior U.S. administration officials here making all kinds of noises."

He cautioned that while the British Department of Trade and Industry firmly backs the project, a decision to allocate funds must be approved by the full cabinet.

"Of course, the view that the DTI takes as the responsible department may not be the eventual view of the government," Mr. Pattie said. He said that the cabinet's decision would not come until late March at the earliest.

Sir Raymond Lygo, chief executive of British Aerospace, said in an interview, "It's no longer a question whether the government will support our request, but rather by how much.

"There was a widespread perception that the visit by U.S. officials last week was a heavy-handed attempt to prevent the launch of the A-340," he said. "With the competition screaming their heads off, the government knew we had a case."

He added, "Whether the amount approved will be acceptable to our needs is uncertain."

In its last application for government launch aid in an Airbus project, British Aerospace received £250 of the £500 million it sought for the A-320 passenger jet, which is to formally roll off the hangar Saturday in Toulouse, France. The credit is expected to be repaid with interest over the next decade.

Britain's decision on financing the new generation of jets ultimately will depend on whether enough customers have been lined up.

Mr. Pattie said he would meet French and West German counterparts in Toulouse on Saturday to discuss what number of orders should be the "prerequisite."

The Airbus consortium, which competes against the U.S. plane manufacturers Boeing Co. and McDonnell Douglas Corp., is trying to secure firm orders from at least five

See AIRBUS, Page 15

Curbs on Japan Delayed by EC

Reuters

BRUSSELS — Plans to tighten European Community anti-dumping rules aimed at Japanese companies have been held up, EC executive Commission sources have said.

The external relations commissioner, Willy de Clercq, had proposed the plans to stop Japanese companies from seeking to evade duties by assembling Japanese components at plants in EC states. It had been expected that the rules would be approved last week by a semi-automatic procedure not involving a commission meeting.

But sources said Friday the internal market commissioner, Lord Cockfield, had refused to approve the rules until it could be established whether customs officers of member states would be able to operate them.

EC Ministers To Discuss Currencies

Reuters

BRUSSELS — European Community finance ministers meet here Monday to discuss currencies, with major economic powers still apparently split over what should be done to stabilize the dollar.

The meeting is routine, but EC officials said much of the discussion was likely to focus on turmoil in foreign-exchange markets caused by the sliding dollar.

The dollar's fall has set off speculation that the Group of Five leading industrial countries would meet soon to seek an agreement on shoring the dollar up and stimulating world economic growth.

Rumors of an impending meeting were a major factor behind a rebound in the dollar in the latter part of last week.

The Belgian finance minister, Mark Eyskens, who will chair Monday's session, has repeated a call for a meeting.

But the five, the United States, Japan, West Germany, France and Britain, appear to be divided over how useful it would be.

Mr. Eyskens' call is likely to be strongly supported by France, a staunch advocate of greater international monetary cooperation.

But West Germany and Britain are known to fear that a meeting could fail, and make currency markets even more jittery.

Bonn is also widely believed to be skeptical about any formal accord with the United States after a U.S.-Japanese agreement last year to stabilize the dollar-yen rate proved largely ineffective.

Monday's discussions are likely to be complicated by Italy's demand that any meeting should be at the level of the Group of Seven, which includes Italy and Canada.

Murdoch Rival for HWT Steps Aside

Reuters

MELBOURNE — Rupert Murdoch seemed certain to clinch a 2.3 billion Australian dollar ($1.54 billion) takeover of Herald & Weekly Times Ltd., Australia's largest media group, after the only remaining rival bidder agreed this weekend to step aside in exchange for rights to buy a television station.

John Fairfax Ltd., a Sydney-based media group, dropped its 2.5 billion dollar bid for HWT early Saturday, HWT's chairman, John Dahlsen, announced after a lengthy board meeting.

He said the decision followed an agreement by the HWT board to sell HSV-7, a Melbourne TV station, to Fairfax for 320 million dollars. The station had earlier been promised to the multimillionaire Robert Holmes à Court as part settlement to drop out of the HWT bidding. Fairfax already owns stations in Sydney and Brisbane.

Market analysts had said the Fairfax offer had little chance, despite its higher value, because it depended upon courts ruling in the company's favor on several points.

Mr. Murdoch's company, News Corp., had already been promised more than 50 percent of HWT's shares by the time Fairfax made its bid on Jan. 21. News now controls more than 60 percent of HWT.

Fairfax, publisher of the Sydney Morning Herald, will drop all legal action aimed at blocking Mr. Murdoch, Mr. Dahlsen said.

Mr. Holmes à Court withdrew from the competition for HWT last month after Mr. Murdoch agreed to sell him the Melbourne station and another HWT subsidiary for 460 million dollars.

But last week Fairfax sparked an auction by offering HWT 270 million dollars for HSV-7 and 115 million dollars for another HWT television station in Adelaide and four radio stations.

The offer topped by 10 million dollars the price Mr. Holmes à Court had agreed to pay for the Melbourne station.

HWT's other properties include 15 newspapers.

Market sources said Mr. Holmes à Court and Mr. Murdoch had been negotiating the sale of News Corp.'s Channel Ten TV stations in Melbourne and Sydney.

Last week, Mr. Murdoch told an American interviewer that News Corp. would probably sell its television interests in Australia and concentrate on print media.

Under Australian law, he noted, "I cannot be an American citizen and actually control [Australian] television stations."

Mr. Murdoch was born in Australia but became a U.S. citizen in 1985 so that he could acquire television stations in the United States.

Bank Holding Companies Feel Fed Pressure

Washington Post Service

WASHINGTON — The Federal Reserve Board apparently is attempting to establish the principle that bank holding companies must support their ailing bank subsidiaries even if it means the parent will be forced into bankruptcy.

The central bank has charged Iowa's Hawkeye Bancorp with unsafe and unsound banking practices for refusing to pump $1.2 million of fresh capital into a subsidiary, the State Bank of Allison, according to Hawkeye's president, Paul Dunlap.

U.S. banks hope to be allowed to deal in securities. Page 17.

A Federal Reserve spokesman declined to comment.

Had Hawkeye done what the Fed demanded, the parent company probably would have been forced into bankruptcy, although the subsidiary bank would have been saved, Mr. Dunlap said.

Instead, the bank was closed by state regulators last week.

As of the end of January, 17 U.S. banks had failed this year. If that rate continued, 1987 would be a record year for bank closings.

Many of the troubled banks are owned by holding companies.

At hearings last Tuesday on whether to grant three big bank companies expanded powers, the Fed chairman, Paul A. Volcker, said it was the central bank's position that a holding company's prime role was to protect the banks it owns. Banks take precedence over nonbank affiliates, he said.

The farm recession has caused Hawkeye, an agricultural lender, serious problems. The company has had $115 million in loan losses in the past 30 months.

Hawkeye spent most of 1986 renegotiating the terms of about $100 million in debts. Mr. Dunlap said an agreement was reached Dec. 16 and that the Federal Reserve approved the restructuring, which provided for the parent to pump $500,000 into the Allison bank.

Had Hawkeye put in the full $1.2 million, the holding company would have been in violation of the financial agreement, Mr. Dunlap said. He said creditors would have demanded immediate payment of outstanding loans to Hawkeye, pushing it into bankruptcy.

The Federal Reserve has ordered Hawkeye to appear at an administrative hearing next month and still is demanding that it put $1.2 million into the bank.

Demand for BA Shares Was 10 Times The Number Available, U.K. Reports

Reuters

LONDON — The share offering to make British Airways a private company was more than 10 times oversubscribed, the government said Saturday.

The sale of BA shares "has been a resounding success," Transport Secretary John Moore said. The offer closed Friday.

There were applications for 7.8 billion shares although only 720.2 million were on offer.

As a result, the number of shares originally earmarked for major financial institutions and overseas investors will be scaled down to give the British public a larger portion of the issue.

Trading in the shares, priced at £1.25 ($1.90), starts Wednesday.

The £900 million sale of the state-owned airline to the private sector is the latest in a series of denationalizations by the Conservative government of Prime Minister Margaret Thatcher.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes

United States	Feb. 6	Jan. 30	Ch'ge
DJ Indus.	2,186.87	2,158.94	+ 1.29 %
DJ Util.	226.16	224.72	+ 0.64 %
DJ Trans.	924.18	874.88	+ 5.64 %
S & P 100	268.73	262.96	+ 2.19 %
S & P 500	280.04	274.08	+ 2.18 %
S & P Ind	316.29	308.36	+ 2.57 %
NYSE Co	159.93	156.11	+ 2.45 %
Britain			
FTSE 100	1,898.40	1,808.30	+ 4.98 %
FT 30	1,508.90	1,441.00	+ 4.71 %
Japan			
Nikkei 225	19,668.83	20,048.25	— 1.93 %
West Germany			
Commerzbk	1,739.60	1,808.20	— 3.94 %
Hong Kong			
Hang Seng	2,673.57	2,553.25	+ 4.71 %
World			
MSCIP	n.a.	399.90	— %

World Index From Morgan Stanley Capital Int'l.

Money Rates

United States	Feb. 6	Jan. 30
Discount rate	5½	5½
Federal funds rate	6	6 5/16
Prime rate	7½	7½
Japan		
Discount	3	3
Call money	4¼	4¼
3-month interbank	4 5/16	4 5/16
West Germany		
Lombard	5	5
Call money	3.90	3.50
3-month interbank	3.95	4.10
Britain		
Bank base rate	11	11
Call money	11¼	11
3-month interbank	11	10 43/64

Dollar	Feb. 6	Jan. 30	Ch'ge
Bk Engl Index	104.90	104.30	+ 0.58 %
Gold			
London p.m. fix $	402.60	400.50	+ 0.52 %

Currency Rates

Cross Rates — Feb. 6

	$	£	D.M.	F.F.	I.L.	Gldr.	B.F.	S.F.	Yen
Amsterdam	2.097	3.16	112.82 *	33.875 *	0.1586 *	—	5.459 *	133.54 *	135.70 y
Brussels(a)	38.42	57.9475	20.675	6.2105	2.9085 *	18.3385	—	24.4785	24.87 *
Frankfurt	1.8554	2.802	—	30.02 *	1.4065 x	88.64 *	4.830 *	118.45 *	1.2025 *
London (b)	1.5309	—	2.7968	9.3200	1,985.00	3.1563	57.785	2.3485	233.00
Milan	1,299.75	1,992.00	711.00	213.50	—	630.18	34.398	842.81	8.54
New York(c)	—	0.6534 *	1.8625	6.202	1,322.50	2.1015	38.49	1.6785	154.45
Paris	6.181	9.33	3.33	—	4.684 x	2.9527	16.11 *	3.9425	4.004 *
Tokyo	153.50	235.32	83.61	25.10	11.78 *	74.12	404.27 *	99.42	—
Zurich	1.5603	2.3618	84.36 *	25.355 *	0.1188 *	74.755 *	4.0067 *	—	1.0143 *
1 ECU	1.1105	0.7357	2.0441	6.8002	1,468.37	2.3309	42.7875	1.741	171.574
1 SDR	1.2524	0.829	2.3334	7.7400	N.Q.	2.6262	48.1150	1.9424	192.173

Closings in London and Zurich, fixings in other European centers. New York rates at 4 P.M. (a) Commercial franc (b) Amounts needed to buy one pound (c) Amounts needed to buy one dollar (*) Units of 100 (x) Units of 1,000 (y) Units of 10,000 N.Q.: not quoted; N.A.: not available. (e) To buy one pound: $U.S.1.5075

Other Dollar Values

Currency	per U.S.$	Currency	per U.S.$	Currency	per U.S.$	Currency	per U.S.$
Argen. austral	1.543	Fin. markka	4.587	Mex. peso	977.00	S. Kor. won	856.30
Austral. $	1.5015	Greek drac.	134.00	N. Zealand $	1.8298	Soviet ruble	0.6457
Austr. schil.	12.92	Hong Kong $	7.794	Nig. naira	3.0717	Span. peseta	129.40
Belg. fin. fr.	38.29	Indian rupee	13.12	Norw. krone	7.09	Swed. krona	6.591
Brazil cruz.	14.93	Indo. rupiah	1,627.00	Phil. peso	20.25	Taiwan $	35.02
Canadian $	1.335	Irish £	0.6897	Port. escudo	141.00	Thai baht	25.895
Chinese yuan	3.7221	Israeli shek.	1.607	Saudi riyal	3.7499	Turkish lira	752.75
Danish krone	7.025	Kuwaiti dinar	2.7745	Sing. $	2.155	UAE dirham	3.6727
Egypt. pound	1.37	Malay. ring.	2.5495	S. Afr. rand	2.0747	Venez. boliv.	22.10

£ Sterling: 1.646 Irish £

Sources: Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAII (dinar, riyal, dirham); Gosbank (ruble). Other data from Reuters and AP.

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-623-1277.
Prices may vary according to market conditions and other factors.

Feb. 6

Dollar Straights

Issuer	Cpn	Mat	Price	Yld Mat	Spd Trsy
Australasia					
Aust Com Bk	12¾	89	112¼	7.02	+42
Aust Com Bk	10	93	110¾	7.87	+77
Australia	11	95	116⅞	8.11	+87
Australia	11½	95	120⅝	8.12	+87
Australia	11¼	00	117⅝	8.92	+116
N S Wales Trsy	11¾	90	112⅝	7.28	+61
New Zealand	7¼	89	100½	7.01	+43
New Zealand	7⅝	90	101⅛	7.17	+48
New Zealand	7½	91	100⅝	7.45	+63
New Zealand	7⅝	91	100½	7.48	+65
New Zealand	8	93	100½	7.88	+84
New Zealand	8¼	93	102	7.82	+80
New Zealand	10¼	95	111¼	8.32	+91
New Zealand B	10½	00	112⅝	8.84	+120
Qantas	10⅝	95	113¼	8.12	+89
Qantas	8⅝	96	103⅝	8.08	+80
Queensland	11⅝	89	110⅛	7.11	+49
Queensland	8	91	101⅝	7.53	+74
Queensland	10¼	95	111⅝	8.18	+94
St Bk Sth Aust	10¾	92	110½	7.66	+79
St Bk Sth Aust	9¼	93	106⅝	7.87	+88
Sth Aust Gov	8¾	93	104¼	7.84	+83
Victoria Sec	10	92	110⅛	7.75	+78
Victoria P	11⅝	92	115⅝	7.79	+89
Victoria Sb	8½	93	103⅝	7.92	+87
Victoria Publ	8⅝	96	101½	8.14	+81
Canada					
B C Hydro	10¼	88	103¾	6.57	+30
B C Hydro	13⅞	88	107	6.60	+27
B C Hydro	14¾	89	115½	6.96	+45
B C Hydro	15¼	92	132¼	7.72	+79
B C Hydro	11¾	93	120	7.77	+69
Can Natl Railw	14⅝	91	114	10.71	+45
Canada	10⅝	88	103⅝	6.60	+24
Canada	11½	90	112¼	6.97	+32
Canada	10	95	113⅛	7.86	+61
Canada	9	96	107.900	7.75	+47
Canadair	12½	89	113½	6.92	+32
Canadian Pacif	12½	90	114¾	7.70	+98
Canadian Pacif	14⅝	92	110¾	11.86	+49
Canadian Pacif	10⅝	93	109⅝	8.76	+113
Canadian Pacif	7½	96	95⅝	8.18	+89
E D C X/w	10	88	103½	6.54	+27
E D C	10¾	88	103⅝	6.31	+7
E D C	11⅛	89	107⅞	6.79	+32
E D C	12	89	112¼	6.87	+27
E D C	10	90	108⅞	6.94	+26
E D C	8½	92	104¼	7.46	+57
Farm Credit	7½	93	99¼	7.64	+54
Farm Credit	11⅝	93	120⅛	7.66	+57
Farm Credit	7¾	96	99¼	7.86	+56
Manitoba	11¼	89	111	7.18	+57
Manitoba	13¾	89	115⅝	7.09	+58
Manitoba	10½	90	109⅝	7.21	+53
Manitoba	8¾	91	105	7.36	+50
Manitoba	12½	94	124½	8.07	+89
Manitoba	7½	96	96¼	8.08	+79
Olymp York	10⅝	90	105⅛	8.23	+62
Olymp York	10⅝	95	109⅞	8.72	+133
Olymp York	8¼	96	98⅝	8.43	+113
Ontar Hyd Aug	16	91	114¼	11.71	+56
Ontar Hyd Nov	16	91	115⅝	11.45	+53
Ontario Hydro	11¼	89	111	6.89	+27
Ontario Hydro	14¼	89	115½	6.91	+40
Ontario Hydro	10¼	90	109⅛	7.00	+33
Ontario Hydro	11¾	90	114¼	7.12	+41
Ontario Hydro	13½	91	121⅛	7.27	+50
Ontario Hydro	12¾	92	122¾	7.63	+68
Ontario Hydro	15	92	131⅝	7.63	+70
Ontario Hydro	11⅝	94	120⅝	7.74	+61
Petro-Canada	7¼	96	95⅝	7.93	+63
Prov Albert	7⅝	91	100¼	7.31	+47
R B C	11½	89	108¼	6.95	+48
R B C	8⅝	93	107¾	8.00	+95
Saskatchew	11⅞	89	111⅛	7.06	+45
Saskatchewan	16	89	117⅛	6.90	+41
Saskatchew	10¾	90	109⅞	7.07	+42
Saskatchew	7½	91	100⅝	7.31	+53
Saskatchew	8⅝	91	104	7.32	+55
Saskatchew	10⅝	92	112⅜	7.61	+74
Saskatchew	15	92	131¼	7.78	+84
France					
B F C E	7¼	91	99⅜	7.27	+44
B F C E	7¼	93	97⅜	7.70	+67
B F C E	7⅞	96	99⅞	7.88	+57
B N P	13½	89	115¼	6.95	+37
B N P	8¾	93	103¼	8.05	+88
B N P X/w	9⅝	90	104⅝	8.24	+56
C C C E	7½	91	99½	7.24	+41
C E P M E	7⅝	91	100¼	7.29	+48
C E P M E	10⅛	91	109	7.75	+52
C E P M E	7¾	96	98¼	8.02	+73
C N C A	10	90	108¾	7.18	+46
C N C A	11¼	90	110⅞	7.01	+39
C N C A	7¼	91	99¾	7.30	+46
C N C A	13¼	91	121	7.35	+56
C N C A	11½	92	116⅜	7.53	+64
C N C A	7½	94	99⅜	7.67	+54
C N C A	7½	96	97⅜	7.84	+55
C N E	11¾	95	122⅝	7.87	+67
C N T	7	91	98⅞	7.28	+44
C N T	13¾	91	123⅛	7.32	+53
Cr Foncier X/w	10⅞	91	112⅞	7.24	+45
Cr Foncier X/w	12½	92	121⅛	7.50	+58
Cr Foncier	7½	94	99⅛	7.66	+54
Cr.Lyon	7¾	93	99⅞	7.76	+69
Cr.Lyonnais	9	91	105¾	7.30	+54
Credit Nat	7¼	91	99⅞	7.27	+43
Credit Natl	9⅞	93	106⅞	7.66	+65
E D F X/w	14⅝	89	114⅞	6.75	+25
E D F	7⅞	93	100⅝	7.62	+51
E D F	11⅛	93	117⅛	7.56	+53
E D F	10	95	110⅝	8.23	+80
E D F X/w	10⅛	95	107¼	8.82	+76
E D F	12¼	93	118⅝	8.33	+55
S N C F	11½	93	118¾	7.54	+53
S N C F	7¼	94	98	7.63	+50
S N C F	7⅝	96	99⅝	7.84	+54
Japan					
Bk of Tokyo	13⅝	89	115⅞	6.96	+38
Bk of Tokyo	11	90	110⅝	7.17	+52
Bk of Tokyo	11⅜	90	114⅝	7.28	+53
Bk of Tokyo	8	93	101	7.80	+69
Bk of Tokyo	8⅝	96	102⅝	7.92	+63
Canon	7⅝	91	99	7.87	+103
Dai-Ichi	10⅝	90	109⅝	7.24	+55
Dai-Ichi	12¼	90	116⅝	7.08	+36
Dai-Ichi	7⅝	91	100⅝	7.64	+48
Dai-Ichi	8⅛	91	102¼	7.46	+69
Daiwa	7⅝	93	99⅝	7.54	+63
DKB Asia	8¼	91	102¼	7.49	+69
DKB Asia	8	93	101	7.79	+70
Fuji B & T	7⅝	91	100½	7.48	+65
Fuji Intl	10⅝	90	110¾	7.21	+54
IBM Japan	7¼	91	99½	7.37	+52
Ind Bk Jap	7⅝	92	100	7.37	+62
Ind Bk Jap	8	93	101⅝	7.71	+65
Jap Airl	8¼	94	100⅝	8.06	+78
Jap Airl	8⅝	96	101½	7.89	+56
Jap Highway	7⅝	96	95¼	8.29	+88
L T C B	11⅞	89	109⅝	6.84	+36
L T C B	10¾	90	110	7.21	+53
L T C B	11	90	110¼	7.17	+52
L T C B	8	91	102⅞	7.21	+40
L T C B	7¾	93	99⅞	7.76	+72
L T C B	8	93	101½	7.68	+65
L T C B	8	96	100⅝	7.97	+65
L T C B	8	97	100¼	7.98	+66
Metro Tokyo	8¼	96	102⅝	7.85	+52
Mitsub X/w	12⅝	89	112⅝	6.91	+30
Mitsub Finance	11⅝	90	112⅝	7.13	+45
Mitsub Fin	7⅝	93	100¼	7.82	+71
Mitsub Tst	7¾	93	99⅝	7.82	+70
Mitsubishi	7¼	92	98⅝	7.65	+60
Mitsui Tst	12⅝	89	113⅞	7.05	+45
N C B	13⅝	89	114⅝	6.91	+37
N C B	11	90	110⅝	7.23	+56
N C B	11⅞	90	114⅝	7.27	+53
N C B	7½	91	100¼	7.43	+58
N C B	8½	91	104⅝	7.26	+49

Issuer	Cpn	Mat	Price	Yld Mat	Cur Yld
N C B	8	93	101½	7.76	+69
N C B	11¼	93	116½	7.71	+71
N C B	10⅝	95	113⅞	8.03	+80
N C B	10⅝	95	115½	8.08	+83
Nippon T&T	7½	94	99⅞	7.64	+51
Sanwa Intl Fin	11½	92	116½	7.59	+48
Sanwa Intl	11⅞	92	112	8.76	+191
Sumitomo	10⅝	90	110⅝	7.24	+57
Sumitomo	7¾	91	101¼	7.41	+58
Sumitomo	12¾	91	118⅝	7.40	+61
Sumitomo	11¼	92	117	7.59	+71
Tokai Asia	11½	95	120⅝	8.06	+84
Tokai Bank	7½	91	100	7.48	+70
Toyota	7	89	100⅝	6.83	+22
Toyota	7⅛	92	98½	7.50	+44
Volvo Kobe	7¼	94	99⅝	7.57	+74
Yasuda Tst	12⅝	89	118⅝	6.82	+32
Yasuda Tst	8½	93	103	7.87	+82
Yasuda Tst	10½	95	114⅝	8.01	+77
Scandinavia					
Denmark	7	89	100⅝	6.91	+34
Denmark	11¼	89	108½	6.98	+47
Denmark	11½	90	111¾	7.27	+42
Denmark	[illegible]	91	103	7.41	+61
Denmark	12	91	116½	7.16	+39
Denmark	13	91	120¼	7.29	+51
Denmark	13¼	91	122⅛	7.39	+57
Denmark	14	91	110⅝	10.94	+56
Denmark	11½	92	116⅝	7.53	+64
Denmark	7⅝	93	100⅝	7.71	+69
Denmark	12¼	93	110⅞	10.04	+57
Exportfin	11½	90	108	8.86	+59
Exportfinans	7¼	92	99¼	7.43	+58
Exportfin	11⅛	92	115⅝	7.52	+63
Exportfin	7⅝	93	99⅝	7.49	+61
Exportfinan	7⅝	93	99⅝	7.69	+58
Exportfinan	7⅞	96	99⅞	8.00	+67
Exportfin	10	96	107½	8.43	+117
Forsmarks	8¼	91	104½	7.41	+65
N I B	7½	91	100⅝	7.39	+56
N I B	7½	93	98⅝	7.74	+67
N I B Ser A	9⅝	96	107⅜	8.35	+92
Norsk Hydro	8½	91	103⅝	7.38	+62
Norsk Hydro	7	92	98	7.50	+65
Norsk Hydro	12¾	92	110½	10.21	+76
Norsk Hydro	10	93	107⅝	8.46	+86
Norsk Hydro	8	96	98⅝	8.19	+91
Norway	7⅝	91	100⅞	7.19	+38
S A S	10⅝	95	110½	8.38	+112
S E K	7¼	91	99⅞	7.37	+52
S E K	8⅝	91	104¼	7.33	+46
S E K	7½	93	99¼	7.65	+62
S E K	9¼	93	105⅝	8.11	+102
S E K	[illegible]	93	105⅝	7.35	+55
S.E.K.	11½	93	108⅞	6.73	+27
S.E.K. X/w	12⅝	89	109¼	8.54	+63
S.E.K. X/w	12⅝	91	114¼	8.92	+57
S.E.K.	10	92	110⅝	7.45	+55
Saab Scania	9½	91	106⅝	7.53	+76
Skandia Ins	7⅝	92	99¼	7.44	+56
Statoil	12	88	105¾	6.69	+41
Statoil	7	89	100	6.98	+47
Statoil	13½	89	114⅝	6.87	+32
Statoil	10	90	108	7.30	+60
Statoil	7⅝	94	99⅝	7.79	+66
Statoil	9¼	96	106⅝	8.13	+86
Stockholm City	11½	98	113⅝	9.49	+100
Sweden	14½	88	112⅝	6.77	+37
Sweden	11½	89	111½	6.87	+26
Sweden	12⅝	89	111⅞	6.74	+23
Sweden	10⅝	90	111⅝	6.92	+25
Sweden	7	91	99⅝	7.21	+39
Sweden	7	92	99¼	7.18	+32
Sweden	10¼	92	112⅝	7.46	+50
Sweden	8⅝	94	102⅝	7.61	+46
Sweden	11¾	94	117¼	8.42	+76
Sweden	8⅝	96	105⅝	7.82	+54
Volvo Cap	10½	90	108	7.47	+99
Supranational					
Council Europe	8	96	100⅝	7.89	+58
Council Eur	9⅝	96	108¾	7.98	+70
E C S	7	89	100⅝	6.72	+10
E C S	11⅝	90	114⅝	6.87	+18
E C S	7¾	91	101⅜	7.38	+57
E C S Dec	8¼	96	102⅝	7.85	+80
E C S Tr.B	8⅝	96	102⅝	7.89	+55
E C S	9⅝	96	107⅝	8.14	+67
E E C	9⅝	90	105⅝	7.44	+32
E E C	11⅝	90	111⅝	6.76	+13
E E C	7	91	99⅝	7.15	+31
E E C	8⅝	91	105½	7.01	+24
E E C	7¼	93	99⅝	7.37	+36
E E C Oct	12	93	122⅝	7.57	+46
E E C	8¼	96	103⅝	7.48	+38
E E C	9⅝	96	108⅝	7.76	+67
E I B	11⅝	90	114⅝	7.01	+26
E I B	11	91	113⅝	7.03	+26
E I B	10¼	92	107⅞	8.08	+58
E I B A	7⅝	93	100⅝	7.50	+39
E I B B	7⅝	93	100⅝	7.58	+44
E I B	7¼	93	100⅝	7.64	+46
E I B	10⅝	93	110⅝	8.48	+57
E I B	11⅝	93	121¼	7.59	+51
E I B	10¼	94	113⅝	8.06	+64
E I B	12⅝	94	129⅝	7.44	+32
E I B	12	95	124⅝	7.84	+63
E I B	7⅝	96	99⅝	7.82	+51
Eurofima	12¾	89	113⅝	6.89	+30
Eurofima	7⅝	91	102⅝	7.16	+35
Eurofima	12⅝	91	118⅝	7.17	+39
Eurofima	9⅝	96	108⅝	7.96	+68
I A D B	12⅝	91	120⅝	7.35	+55
I A D B	9⅝	95	112⅝	7.86	+61
I A D B	10⅝	95	116½	7.78	+60
I A D B	7⅝	96	98⅝	7.84	+62
World Bk	11¼	89	108⅝	6.55	+9
World Bk	10⅝	90	110⅝	6.69	+6
World Bk	11¼	90	113⅝	6.71	+19
World Bk	11½	90	113⅝	6.89	+19
World Bk Jan	7	92	99⅝	7.10	+24
World Bk	11	92	115⅝	7.16	+30
World Bk	10⅝	93	116⅝	7.26	+34
World Bk	12	93	122⅝	7.64	+44
World Bk	12¼	94	126⅜	7.63	+45
World Bk	12⅝	94	129⅝	7.42	+45
World Bk	10⅝	95	114⅝	7.87	+46
World Bk	8½	16	100⅝	8.48	+84
World Bk	9¼	16	106⅛	8.46	+104
United Kingdom					
Abbey Natl	7½	92	99⅝	7.69	+62
Barclays	10⅝	90	108⅝	7.24	+53
Barclays	10⅝	95	114⅝	8.21	+76
BP Capital	9⅝	93	108	7.88	+69
BP Capital	9⅝	94	107⅝	7.69	+68
Brit Petro	11½	92	111	8.83	+114
British Tel	7⅝	96	98	7.92	+60
Britoil	11⅝	90	107½	9.22	+86
Halifax	7½	92	99⅝	7.72	+65
Marks Spenc	8¼	96	102⅝	7.87	+67
Midland	11½	92	116⅝	7.86	+69
Natwest	7½	91	100¼	7.41	+62
Natwest	11¾	92	117⅝	7.79	+63
United States					
A T & T	9	16	101⅝	8.83	+120
Aetna Life	7¼	16	100½	7.70	+58
Amer Genl	8½	98	102⅝	8.16	+104
Amex	13⅝	88	108⅝	6.85	+32
Amex	10¼	90	109⅝	6.74	+9
Amex	10⅝	90	110	7.39	+62
Amoco	9¼	16	107¼	8.59	+137
Betawest	10¼	92	111⅛	7.80	+82
Betawest	7⅝	93	99⅝	7.77	+75
Campbell	10½	93	113⅝	8.34	+66
Campbell	7½	98	97½	7.84	+43
Chevron Corp	8¼	96	108½	8.16	+88
Citicorp	10	88	104⅝	6.85	+59
Citicorp	7¼	89	99⅝	7.38	+74
Citicorp	9⅝	89	104	7.84	+59
Citicorp	11⅝	92	108¼	9.88	+64
Citicorp	10⅝	93	106½	9.45	+145
Citicorp	10	94	105	9.16	+171
Coca C X/w	11⅝	88	107⅝	6.88	+43
Coca Cola	10⅝	88	104⅝	6.69	+37
Coca Cola	11⅝	91	108½	9.39	+68
Colgate-Pal	9½	96	106	8.21	+98
Connect Mtl	11	98	114⅝	8.51	+117
Dayton Huds	7½	92	99¼	7.56	+78
Dayton Huds	8¼	93	102½	7.82	+72
Digital Equipm	11⅝	89	109⅝	6.89	+41
Dow Chem	10¾	92	110⅝	7.88	+92
Du Pont	11¼	95	112⅞	8.91	+70
Eli Lilly	10¼	92	113	7.25	+59
Emerson	9⅝	95	107⅝	8.33	+79
Equit Life	10⅝	92	108⅝	8.02	+64
First Bost	7⅝	96	94⅝	8.63	+133
Ford Motor	7¼	89	100½	6.98	+47
Ford Motor	8	89	102⅝	6.87	+53
Ford Motor	11⅞	90	110⅝	7.26	+63
Ford Motor	7⅝	91	100	7.61	+77
Ford Motor	10½	91	111	7.63	+80
Ford Motor	12⅝	91	114	9.01	+58
Ford Motor	11⅝	92	117⅝	7.63	+74
Ford Motor	10½	93	110⅝	8.34	+84
Ford Motor	12	95	118⅝	8.72	+68
Ford Motor	11	96	118⅛	8.07	+80
G E C	7	89	100⅝	6.92	+40
G E C	10¾	89	106⅝	6.96	+45
G E C	10⅝	90	106⅝	7.96	+47
G E C	9¼	91	104⅝	8.40	+51
G E C	11	91	105⅝	9.33	+53
G E C A	9½	92	105⅝	8.21	+56
G E C	8	93	102⅝	7.55	+53
G E C	8¼	93	104½	7.79	+68
General Re	11½	92	118	8.59	+55
GMAC	10	88	103¼	6.68	+42
GMAC	10¼	89	106⅝	7.01	+48
GMAC	10½	90	103¼	9.19	+55
GMAC	11⅝	98	105½	9.15	+66
GMAC	7⅝	91	101⅛	7.31	+49
GMAC	8⅝	91	105	7.39	+53
GMAC	7⅝	91	99⅝	7.49	+55
GMAC	10	92	107⅝	8.18	+82
GMAC	10¼	92	109⅝	8.18	+74
GMAC	8½	93	103⅝	7.72	+67
GMAC	9¼	93	108⅝	7.81	+82
GMAC	8	94	102⅝	7.68	+65
GMAC	9⅝	96	106⅝	8.04	+77
I B M	10⅝	89	104	8.09	+62
I B M	12¾	92	113	9.16	+57
I B M	7⅝	93	101	7.42	+32
I B M	10⅝	95	112⅝	8.16	+62
I B M	9⅝	00	102⅝	9.25	+55
Kellogg Co	10⅝	90	107	8.08	+89
Kiewit	10⅝	90	105⅝	8.19	+79
Kimberley	12	94	124	7.77	+58
Liberty Mut	8½	96	103⅝	7.96	+66
Lockheed	7⅝	89	100⅝	6.95	+38
M A L I C	7⅝	92	100¼	7.56	+70
Marriott	8⅝	93	102½	7.88	+77
Merrill Lynch	9	89	104	6.77	+30
Merrill Lynch	10⅝	90	109⅝	7.23	+56
Merrill Lynch	7⅝	91	101	7.33	+55
Merrill	8¼	91	104½	7.54	+70
Metlife	9⅞	92	107⅝	8.02	+75
Metlife	7¼	96	98	8.05	+73
Mony Fund	8¼	96	101⅛	8.07	+74
Morgan Gty	12¼	89	110½	6.91	+40
Morgan Gty	12⅝	89	112⅝	7.07	+48
Morgan Gty	7⅝	91	100	7.24	+40
Morgan J P	10⅝	92	113⅝	7.48	+51
Morgan J P	11¼	92	109¼	8.89	+46
New England	11⅝	95	117⅝	8.40	+118
Pepsico	7¼	91	99⅝	7.40	+56
Pepsico	8⅝	91	103½	7.35	+58
Pepsico	7⅝	93	99	7.57	+54
Philip Mris	7	89	100⅝	6.69	+7
Philip Mris	9½	89	106	7.09	+67
Philip Mris	7½	91	100⅛	7.46	+62
Philip Mris	10	95	110⅝	8.23	+80
Philip Mris	9⅝	98	110⅛	8.41	+89
Pillsbury	10¼	93	107	8.48	+82
Proct & Gamble	9⅝	92	106⅝	8.33	+48
Proct & Gam	10	95	111⅝	8.11	+64
Proct & Gam	9⅝	98	110⅝	7.98	+58
Proct & Gam	9⅝	01	111½	8.21	+64
Prudential	7⅝	91	102⅝	7.16	+33
Prudential	11⅝	92	118⅝	9.06	+158
Prudential	8	93	101⅝	7.62	+53
Prudential	10⅝	93	114⅝	7.51	+69
Prudential	12⅝	95	119⅝	8.84	+115
Reynolds RJ	10	91	107⅝	7.59	+71
Reynolds	10¼	93	112⅛	7.79	+71
Rockwell	9⅝	90	107⅝	7.29	+50
Sears	11½	88	107½	6.88	+48
Sears	10⅝	90	105⅝	8.96	+78
Sears	11⅝	91	114⅝	7.32	+56
Sears	11⅝	93	120⅝	7.48	+51
Sec Pacific	10½	88	104⅝	6.81	+50
Sec Pacific	11¾	88	108	6.74	+61

Issuer	Cpn	Mat	Price	Yld Mat	Spd Trsy
Sec Pacific	12	92	119¼	7.30	+43
Utd Technol	11¼	92	114⅝	7.43	+78
Utd Technol	7⅝	93	98⅝	7.70	+67
Utd Technol	10⅝	95	112¼	8.53	+100
Warner Lamb	8⅝	96	101⅝	7.94	+65
Western Europe (Other)					
Austr Contr	10¾	90	110⅝	6.96	+28
Austr Contr	10	91	107⅝	7.20	+42
Austria	12⅝	92	126¼	7.50	+58
Austria	11¼	95	119½	7.86	+66
Austria	7⅝	97	99⅝	7.77	+44
Deut Bank	8	98	100⅝	7.89	+46
Deut Bk	13½	89	114⅝	6.95	+38
Deut Bk	14¼	89	116⅝	6.99	+43
Deut Bk Fin	9¼	96	106⅝	8.18	+82
DSL Bank	7½	96	95⅛	8.21	+72
DSL Bank	8⅝	96	97½	8.19	+88
K F W	7½	94	99¼	7.64	+52
Mercedes	7¼	93	98⅝	7.56	+44
Mercedes	7½	93	101½	7.19	+13
Philips Lp	8¼	96	103⅝	8.22	+74
Shell Oil	9⅝	90	106⅝	7.53	+49
Unilever	9⅝	92	111¼	7.40	+43
Unilever	8⅝	98	106¼	[illegible]	+68

Dollar Zero Coupons

Issuer	Mat	Price	Yld Mat	Spd Trsy
A D B	04	22¼	8.87	+111
A I G	04	22⅝	8.86	+110
A R C O Fin	92	68½	7.90	+104
Amex	00	32⅝	8.56	+100
Austria Rep	95	51⅝	8.19	+96
BP Capital	95	50⅝	8.46	+123
Campbell	92	68⅝	7.53	+64
Caterpillar	92	65⅝	8.01	+107
Caterpillar	94	57⅝	8.27	+114
Centrust	10	13¼	9.56	+188
Connect Mtl	00	33	8.51	+96
Denmark	98	38⅝	8.76	+134
E D F	94	56⅝	7.86	+69
Exportfin	94	55⅝	8.08	+90
Exxon Cap	04	23⅝	8.60	+82
Firstfed	05	20½	9.18	+139
Florida Fed	98	49⅝	8.68	+144
G D F	92	69⅝	7.50	+64
G D F	94	59⅝	7.67	+54
G E C Feb 17	92	69⅝	7.65	+78
G E C Intl	93	63⅝	7.74	+74
G E C Intl	94	58½	7.89	+76
G E C Intl	95	54	7.95	+74
G E C Intl	96	48	8.11	+81
Genl Mills	13	10⅝	9.02	+134
GMAC Ov Feb03	92	69⅝	7.63	+77
GMAC Ov Oct91	92	65½	7.80	+85
Gulf Oil	92	68½	7.78	+90
Hewlett Pac	91	75⅝	7.59	+84
Mutual Ben	06	17⅝	9.11	+126
N I B	94	55⅝	8.02	+85
Penney Jc	94	56⅝	8.42	+129
Philip Morris	94	55½	8.40	+125
Prudential	99	37⅝	8.57	+112
R J Reynolds	92	68½	7.83	+97
S.E.K. Mar	94	58⅝	7.91	+77
S.E.K. Sep	94	56	7.95	+78
SBC Fin	97	43	8.17	+78
Sears	92	68⅝	7.76	+89
Sears May27	94	56⅝	8.18	+103
Sears Jul	98	38⅝	8.82	+139
Siemens Ilx	01	30¼	8.49	+110
Suntory	93	59½	8.68	+154
Xerox Credit	92	68¼	7.65	+77

DM Straights

Issuer	Cpn	Mat	Price	Yld Mat	Cur Yld
European					
Amro Bank	5⅝	94	99.75	5.79	5.76
Asfinag	6⅝	95	101.75	6.47	6.63
Audi Fin Nv	7⅝	94	104.65	6.52	7.05
Austr Control	9⅝	87	99.75	14.35	9.90
Austr Control	7¼	89	102.00	6.09	7.16
Austr Control	8⅝	87	102.40	7.76	8.67
Austr Control	7⅝	91	105.65	5.98	7.22
Austr Control	8¼	92	102.10	7.74	8.08
Austr Control	9¼	92	102.35	8.68	9.04
Austr Control	6	94	100.85	n.a.	n.a.
Austr Control	6⅝	97	101.50	6.54	6.65
Austria	7⅝	89	105.10	5.27	7.25
Austria	7	92	105.85	5.82	6.61
Austria	[illegible]				
Austria	[illegible]				
Austria	[illegible]				
Austria	[illegible]				
Austria	[illegible]				
Austrian Contr	[illegible]				
B F C E	[illegible]				
B F C E	[illegible]				
B F C E	[illegible]				
B F C E	[illegible]				
B M W	[illegible]				
Barclays	[illegible]				
Beecham	[illegible]				
BFCE	[illegible]				
BHF-Fin 85/95	[illegible]				
Bq Indosuez	[illegible]				
BTR	[illegible]				
C E P M E	[illegible]				
C E P M E	[illegible]				
C N A	[illegible]				
C N E	[illegible]				
C N T Aug	[illegible]				
C N T	[illegible]				
C N T	[illegible]				
CCCE	[illegible]				
CCF	[illegible]				
Commerzbank	[illegible]				
Copenhagen	[illegible]				
Copenhagen	[illegible]				
Copenhagen	[illegible]				
Cr Foncier	[illegible]				
Cr Foncier	[illegible]				
Cr Foncier	[illegible]				
Credit Natl	[illegible]				
Daimler Benz	[illegible]				
Degussa	[illegible]				
Denmark	[illegible]				
Denmark	[illegible]				
Denmark	[illegible]				
Denmark	[illegible]				
Denmark	[illegible]				
Denmark	[illegible]				
Denmark	[illegible]				
Denmark	[illegible]				
Denmark	[illegible]				
Denmark	[illegible]				
Denmark	[illegible]				
Denmark Mtg Bk	[illegible]				
Deut Bank	[illegible]				
Deutsche Bank	[illegible]				
Deutsche Bk	[illegible]				
Deutsche Bank	[illegible]				
Deutsche Bk	[illegible]				
E D F Sep	[illegible]				
E D F	[illegible]				
E D F	[illegible]				
Elsom	[illegible]				
Finland	[illegible]				
Girozentrale W	[illegible]				
Hammerson	[illegible]				
Heraeus	[illegible]				
Heron Intl Fin	[illegible]				
Hoesch	[illegible]				
Hoogovens	[illegible]				
IBM	[illegible]				
ICI Intl	[illegible]				
Ireland Mar	[illegible]				
Ireland	[illegible]				
Ireland	[illegible]				
Jydsk Tel	[illegible]				
Kas.Elekt.	[illegible]				
Kloeckner Humb	[illegible]				
Lonrho Intl	[illegible]				
Lufthansa	[illegible]				
Lufthansa	[illegible]				
Megal Finance	[illegible]				
Michelin	[illegible]				
Midland Bk.	[illegible]				
Nat Bk Hungary	[illegible]				
Nat Bk Hungary	[illegible]				
Neste Oy	[illegible]				
Nord Lb Fin	[illegible]				
Norges Kommunal	[illegible]				
Norpipe A/S	[illegible]				
Norsea Gas A/S	[illegible]				
Norsea Gas A/S	[illegible]				
Norsk Hydro	[illegible]				
Norsk Hydro	[illegible]				
Norsk Hydro	[illegible]				
O E L E G	[illegible]				
Oest Donaukraf	[illegible]				
Oest Ind Ver	[illegible]				
Oslo	[illegible]				
Oslo	[illegible]				
Oslo	[illegible]				
Philips Gloeil	[illegible]				
Pk Banken	[illegible]				
Portugal	[illegible]				
Robobank	[illegible]				
Rank Xerox	[illegible]				
Renault	[illegible]				
S C N	[illegible]				
S C N	[illegible]				
S C N	[illegible]				
S C N	[illegible]				
S D R	[illegible]				
S K F	[illegible]				
S N C F	[illegible]				
S N C F	[illegible]				
S N C F	[illegible]				
Statoil	[illegible]				
Statoil	[illegible]				
Stewag	[illegible]				
Superfos	[illegible]				
Sweden	8¼	89	102.85	7.09	8.02
Sweden	9¼	92	103.10	8.96	9.46
Sweden	7⅝	94	104.55	6.49	7.37
Sweden	7¼	95	105.35	6.37	6.88
Sweden	6½	98	97.75	6.15	6.14
Swedish Export	10¼	91	108.50	8.00	9.45
Tauernautobahn	9⅝	94	115.85	6.95	8.52
Thyssen	6¼	95	100.65	6.64	6.71
Vienna	9⅝	92	108.40	7.43	8.65
Volkswagen	7¼	93	105.50	6.13	6.87
West LB	5⅝	98	91.75	6.82	6.27
Non-European					
Air Canada	9	92	112.50	6.34	8.00
Air Canada	7⅝	93	104.75	6.43	7.04
Alfina	7½	94	103.75	6.88	7.22
Amca	7¼	92	101.50	6.63	7.13
Argentina	6½	88	100.05	6.44	6.50
Australia	6	88	100.85	5.29	5.95
Australia	5⅝	89	100.25	5.44	5.74
Australia	5⅝	90	100.75	5.49	5.71
Australia	5⅝	91	98.25	5.88	5.34
Australia Feb	9⅝	91	113.15	5.62	8.29
Australia Dec	9⅝	91	111.75	6.44	8.39
Australia	7⅝	92	107.40	6.12	7.20
Australia	6⅝	93	104.85	5.87	6.54
Australia	6¼	96	99.65	6.30	6.27
Australia	7⅝	96	106.10	6.36	6.83
Avon Intl Fin	7½	93	104.25	6.61	7.19
Baxter	7¼	94	103.75	6.57	6.99
Beatrice Foods	7¾	93	103.50	7.86	7.49
Beneficial	9½	89	106.40	6.30	8.93
Bk America	10⅝	88	102.50	8.60	10.12
Bk America	5⅝	90	99.25	5.97	5.79
Bk Nova Scotia	5⅝	96	93.00	6.66	6.05
C P C Finance	6¼	01	99.25	6.83	6.80
Canada	8½	89	106.85	5.13	7.96
Chrysler Pp	7¼	90	102.50	n.a.	7.07
Chrysler	6⅝	96	100.10	6.75	6.74
Chrysler	6⅝	97	97.75	6.94	6.78
Citicorp	8	92	105.65	6.70	7.57
Citicorp	6⅝	96	97.50	6.73	6.54
Com Bk Austrl	5⅝	91	97.75	5.86	5.37
Dai-Ichi	6½	96	100.75	6.39	6.45
Dow Chemical	6⅝	96	103.10	6.27	6.55
Dow Chemical	5⅝	96	94.25	6.47	5.87
E D C	6⅝	90	104.50	5.49	6.58
Emhart	6⅝	95	102.15	6.41	6.61
Ford Motor	7	95	103.55	6.45	6.76
Genl Motors Co	5⅝	96	96.75	6.21	5.94
Gillette Pp	7	91	103.00	6.36	6.80
Gillette Pp	6½	92	102.75	6.28	6.49
GMAC	8¼	87	101.40	5.49	8.12
Gould Intl	8¼	89	103.50	6.82	7.97
Gould Intl	7⅝	91	102.75	6.84	7.42
Honeywell	8⅝	90	102.35	7.55	8.18
Ind Bk Japan	5⅝	96	95.55	6.27	5.89
Isec	7⅝	93	104.75	6.51	7.40
ITT	7	93	105.25	5.93	6.65
J F M	7⅝	91	105.50	6.14	7.23
Jap Fin Corp	4⅝	92	103.25	3.70	4.17
Japan Develop	7⅝	87	101.50	4.62	7.51
Japan Develop	7½	90	103.75	6.32	7.23
Kobe	8	90	102.25	n.a.	7.82
Kobe City	6½	87	99.85	6.78	6.51
Kobe City	7⅝	89	102.50	6.05	6.95
Kobe City	7	93	103.25	6.35	6.78
Kubota	7¾	90	101.55	6.80	7.26
L T C B	8	90	104.40	6.92	7.66
Malaysia	7½	95	102.00	7.16	7.35
Manitoba Prov	[illegible]				
Manitoba	[illegible]				
Manitoba	[illegible]				
Manitoba	[illegible]				
McDermott	[illegible]				
McDonalds Fin	[illegible]				
McDonalds Fin	[illegible]				
Mitsub Heavy	[illegible]				
Mitsui Osk Lin	[illegible]				
Montreal	[illegible]				
Montreal Ct	[illegible]				
Mount Isa	[illegible]				
Mount Isa	[illegible]				
Nabisco	[illegible]				
New Zealand	[illegible]				
New Zealand	[illegible]				
New Zealand	[illegible]				
New Zealand	[illegible]				
New Zeala Apr	[illegible]				
New Zeala Oct	[illegible]				
Nippon Steel	[illegible]				
Occidental	[illegible]				
Ontario	[illegible]				
Owens Corning	[illegible]				
Pepsico	[illegible]				
Philip Morris	[illegible]				
Philip Morris	[illegible]				
Philip Mris	[illegible]				
Pillsbury	[illegible]				
Quebec Jun	[illegible]				
Quebec Hydro-E	[illegible]				
Quebec Hydro-E	[illegible]				
Quebec Hydro	[illegible]				
Quebec Hydro	[illegible]				
Quebec Hydro	[illegible]				
Quebec Hydro	[illegible]				
Quebec Prov	[illegible]				
Quebec Prov	[illegible]				
Quebec Prov	[illegible]				
Quebec Prov	[illegible]				
Quebec Prov	[illegible]				
Reynolds	[illegible]				
Royal Bk Cda	[illegible]				
Sperry Corp	[illegible]				
Sterling Drug	[illegible]				
Sumitomo Fin	[illegible]				
Sumitomo Asia	[illegible]				
Tenneco Intl	[illegible]				
Tenneco	[illegible]				
U T C	[illegible]				
U T X	[illegible]				
Union Oil Of C	[illegible]				
Venezuela	[illegible]				
Westpac	[illegible]				
Supranational					
A D B	[illegible]				
A D B Apr	[illegible]				
A D B Apr	[illegible]				
A D B Aug	[illegible]				
African Dev Bk	[illegible]				
African Dev Bk	[illegible]				
Council Europe	[illegible]				
E C S	[illegible]				
E C S Jan	[illegible]				
E C S May	[illegible]				
E E C	[illegible]				
E I B	[illegible]				
E I B Apr	[illegible]				
E I B Aug	[illegible]				
E I B Oct	[illegible]				
E I B Dec	[illegible]				
E I B May	[illegible]				
E I B Aug	[illegible]				
E I B May01	[illegible]				
E I B Feb03	[illegible]				
E I B Mar	[illegible]				
E I B Mar	[illegible]				
E I B Jan	[illegible]				
E I B	[illegible]				
E I B 97	[illegible]				
Euratom	[illegible]				
Eurofima Pp	[illegible]				
Eurofima	[illegible]				
Eurofima Butt	[illegible]				
Eurofima Bear	[illegible]				
I A D B	[illegible]				
I A D B May	[illegible]				
I A D B Jan	[illegible]				
I A D B Aug	[illegible]				
I A D B Dec	[illegible]				
I A D B Pp	[illegible]				
Ifc	[illegible]				
Ifc Pp	[illegible]				
World Bk	[illegible]				
World Bk Aug	[illegible]				
World Bk Pp	[illegible]				

DM Zero Coupons

Issuer	Mat	Price	Yld Mat
Austria	[illegible]		
Commerzbk	[illegible]		
Commerzbank	[illegible]		
Euro Dm Sec C	[illegible]		
Euro Dm Sec B	[illegible]		
Euro Dm Sec D	[illegible]		
Euro-Dm A	[illegible]		
Euro-Dm C	[illegible]		
Euro-Dm A	[illegible]		
Euro-Dm D	[illegible]		
Euro-Dm C	[illegible]		
Euro-Dm	[illegible]		
Euro-Dm B	[illegible]		
Federal Sec.	[illegible]		
World Bk	[illegible]		

ECU Straights

Issuer	Cpn	Mat	Price	Yld Mat	Cur Yld
Aegon	[illegible]				
Aerospatiale	[illegible]				
All Nippon Air	[illegible]				
Austria	[illegible]				
B F C E	[illegible]				
B N P	[illegible]				
Bacob Financ	[illegible]				
Bayerische Ver	[illegible]				
Bca Naz Agrica	[illegible]				
Bco Di Roma	[illegible]				
C C C E	[illegible]				
C C C E W/a	[illegible]				
C C F	[illegible]				
C N T Tra A	[illegible]				
C N T Tra B	[illegible]				
Cariplo	[illegible]				
Colgate-Palmol	[illegible]				
Cr.Lyonnais	[illegible]				
Cred Italiano	[illegible]				
Credit Du Nord	[illegible]				
Credit Natl	[illegible]				
Creditanstalt	[illegible]				
Dai-Ichi	[illegible]				
Denmark	[illegible]				
E C S Tran A	[illegible]				
E C S	[illegible]				
E D C	[illegible]				
E D F	[illegible]				
E E C	[illegible]				
E I B Tra A	[illegible]				
E I B Tra B	[illegible]				
E I B	[illegible]				
Elf Aquitaine	[illegible]				
Euratom	[illegible]				
Eurofima	[illegible]				
Eutelsat	[illegible]				
Fiat Fin Trade	[illegible]				
Ford Canada	[illegible]				
G Z B	[illegible]				
Gillette	[illegible]				
I A D B	[illegible]				
I B M	[illegible]				
Italy	[illegible]				
L T C B	[illegible]				
M O L	[illegible]				
Machine Bull	[illegible]				
Mees & Hope Bk	[illegible]				
Megal Finance	[illegible]				
Merrill Lynch	[illegible]				
Mitsui Trust	[illegible]				
Moet-Hennessy	[illegible]				
Morgan Gty	[illegible]				
Motorola	[illegible]				
N S Wales Trsy	[illegible]				
Nerza	[illegible]				
New Zealand	[illegible]				
Nissan Motors	[illegible]				
O L B X/w	[illegible]				
Oslo	[illegible]				
P I B A	[illegible]				
Parbel Fin	[illegible]				
Pechiney	[illegible]				
Peugeot	[illegible]				
Phibro Salomon	[illegible]				
Philip Morris	[illegible]				
Philips Intl	[illegible]				
Privatbk Copen	[illegible]				
Queensland	[illegible]				
R J Reynolds	[illegible]				
Rabobank Nl	[illegible]				
Rabobank	[illegible]				
S A S	[illegible]				
S E K	[illegible]				
S N C I	[illegible]				
Sanwa Intl	[illegible]				
Sec Pac	[illegible]				
Sumitomo	[illegible]				
Sumitomo Fin	[illegible]				
Sumitomo Corp	[illegible]				
Sweden	[illegible]				
U B Norway	[illegible]				
Victoria P A	[illegible]				
Walt Disney	[illegible]				
Walt Disney	[illegible]				
World Bk A	[illegible]				
World Bk	[illegible]				
World Bk B	[illegible]				
World Bk	[illegible]				

(Continued on Page 17)

American Exchange Options

Figures as of close of trading Friday.

Feb. 6

Option & price		Calls		Puts	
[illegible]					

Chicago Exchange Options

Figures as of close of trading Friday.

Feb. 6

Option & price		Calls		Puts	
[illegible]					

New International Bond Issues

Compiled by Laurence Desvilettes

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
FLOATING RATE NOTES						
Christiania Bank	$ 30	1990	libor	100	—	Coupon will be pegged to 6-month Libor and will first be Libor less 6%, then Libor plus 2%, Libor less 6%, Libor flat (twice) and finally Libor plus 9.3%. Noncallable. Fees 0.65%.
CLAL Finance	$ 20	1994	¼	100	99.50	Over 6-month Libor. Redeemable at par in 1992. Fees 1½%.
FIXED-COUPON						
Banque Indosuez	$ 50	1992	zero	70.35	—	Yield 7.703%. Noncallable. Proceeds $35 million. Fees 1.35%.
European Community	$250	1993	7¼	101	99.40	Noncallable. Fees 1⅞%.
Société Nationale Elf Aquitaine	$100	1997	7¾	100	97.88	Noncallable. Fees 2%.
Swedish Export Credit	$100	1990	6¾	101.30	99.70	Noncallable. Fees 1⅜%.
Swedish Export Credit	$100	1994	7½	100½	98.80	Noncallable. Fees 1⅞%.
Bank of Tokyo Curacao Holding	DM 100	1993	5¾	100½	100.00	Noncallable. Fees 2⅛%.
Tokyo Electric Power	DM 300	1997	6	100¾	99.25	Noncallable. Fees 2½%.
Westland-Utrecht Hypotheekbank	DM 100	1997	6	101¼	97.75	Noncallable. Fees 2½%.
Caisse Nationale des Télécommunications	£ 70	1997	10	101¼	99.40	Noncallable. Fees 2%.
Finland	£ 100	1997	10⅛	101⅜	100.50	Noncallable. Fees 2%.
Philips Finance	£ 40	1994	10	101¼	99.35	Noncallable. Fees 1⅝%.
Amsterdam-Rotterdam Bank	DF 200	1992	6	100	—	Noncallable private placement.
Outokumpu	FM 200	1992	10¼	100½	98.38	Noncallable.
BHF Bank Finance Jersey	Aus$ 40	1992	14⅝	101⅜	99.75	Noncallable. Fees 2%.
Deutsche Bank Finance	Aus$ 100	1992	14½	101½	100.60	Noncallable. Fees 2%.
Finnish Export Credit	Aus$ 50	1990	14⅝	101¼	99.00	Noncallable. Fees 1½%.
Nordic Investment Bank	Aus$ 50	1992	14⅝	101¾	99.88	Noncallable. Fees 2%.
South Australian Government Financing Authority	Aus$ 100	1992	zero	51⅜	50.25	Noncallable. Proceeds Aus$51 million. Fees 1⅞%.
Vereinswest Overseas Finance	Aus$ 50	1992	14⅝	101¼	99.25	Noncallable. Fees 2%.
Christiania Bank	Y 10,000	1992	1	101¾	99.75	Coupon will be 1% in first 2 years and 7⅞% thereafter. Noncallable. Fees 1⅝%. Denominations 100 million yen.
Crédit Agricole	Y 20,000	1994	5⅛	101½	100.13	Noncallable. Fees 1⅝%.
Electricité de France	Y 20,000	1994	5⅛	101⅜	100.25	Noncallable. Fees 1⅝%.
Ford Motor Credit	Y 15,000	1992	5⅛	101¼	100.63	Noncallable. Fees 1⅝%.
National Bank of Canada (London)	Y 5,000	1994	7	100⅝	—	Noncallable. Redeemable in U.S. dollars at maturity at a fixed exchange rate of 154.2132 yen per dollar. Fees 1⅝%. Denominations 10 million yen.
Postipankki	Y 10,000	1994	5⅛	101¾	100.00	Noncallable. Fees 1⅝%.
EQUITY-LINKED						
Itoman & Co.	$ 100	1992	3⅛	100	—	Noncallable. Each $5,000 note with one warrant exercisable into company's shares at 910 yen per share and at 153.10 yen per dollar. Fees 2¼%. Increased from $80 million.
Keihan Electric Railway	$ 70	1992	open	100	—	Coupon indicated at 3⅛%. Noncallable. Each $5,000 note with one warrant exercisable into company's shares at an expected 2½% premium. Fees 2¼%. Terms to be set Feb. 9.
Kobe Electric Railway	$ 30	1992	open	100	—	Coupon indicated at 3⅛%. Noncallable. Each $5,000 note with one warrant exercisable into company's shares at an expected 2½% premium. Fees 2¼%. Terms to be set Feb. 12.
Kyotaru Company	$ 85	1992	open	100	99.20	Coupon indicated at 3⅛%. Noncallable. Each $5,000 note with one warrant exercisable into company's shares at an expected 2½% premium. Fees 2¼%. Terms to be set Feb. 12.
Showa Denko	$100	1992	3	100	—	Noncallable. Each $5,000 note with one warrant exercisable into company's shares at 455 yen per share and at 154.65 yen per dollar. Fees 2½%.
Tokyu Department Store	$ 80	1992	open	100	106.00	Coupon indicated at 3⅛%. Noncallable. Each $5,000 note with one warrant exercisable into company's shares at an expected 2½% premium. Fees 2¼%. Terms to be set Feb. 10.
Tokyu Store Chain	$ 50	1992	open	100	102.00	Coupon indicated at 3⅛%. Noncallable. Each $5,000 note with one warrant exercisable into company's shares at an expected 2½% premium. Fees 1⅝%. Terms to be set Feb. 10.
Toyoda Tsushu Kaisha	$ 70	1992	open	100	100.50	Coupon indicated at 3⅛%. Noncallable. Each $5,000 note with one warrant exercisable into company's shares at an expected 2½% premium. Fees 2¼%. Terms to be set Feb. 10.
Wyse Technology	$ 45	2002	6	100	105.75	Semiannually. Redeemable at par in 1994 and callable at 103 in 1990. Convertible at $28 per share. Fees 2½%.
Elders U.K.	DM 150	1997	2½	100	—	Redeemable at 121 in 1993 to yield 5.55% and callable at 101 in 1992. Convertible at Aus$5.43 per share, a 9.99% premium, and at Aus$0.8253 per mark. Fees 2½%.
WARRANTS						
Citibank	0.10	24 mos	—	$39	$41	Each warrant gives the right to buy $500 at a fixed exchange rate of 1.82 marks per dollar.
Merrill Lynch Int'l Bank	0.125	1990	—	$50	$46	Each warrant to buy $500 at a fixed exchange rate of 1.567 Swiss francs per dollar.
Salomon	0.50	12 mos	—	$7	—	Call warrants exercisable at 100.393 into U.S. Treasury's 6⅝% note due 1990.
SBC Finance	0.20	24 mos	—	$36.20	$37	Each warrant to buy $500 at a fixed exchange rate of 1.60 Swiss francs per dollar.
Swedish Export Credit	0.15	18 mos	—	$39	$44	Each warrant to buy $500 at a fixed exchange rate of 1.79 marks per dollar.
Swedish Export Credit	0.15	1992	—	$59	$64	Each warrant to buy $500 at a fixed exchange rate of 1.79 marks per dollar.
Den Norske Creditbank	0.10	1989	—	DM 19	—	Call warrants exercisable at par into a 6% bond due 1994.
DG Bank	0.20	18 mos	—	£25	£27.50	Each warrant to buy £500 at a fixed exchange rate of 2.74 Deutsche marks per pound.
Gasunie	0.125	10 mos	—	DF20	—	Call warrants exercisable at par into a 6¾% bond due 1994.
Citibank	SF 25	1990	—	SF 84	—	Options of 1,000 Swiss francs to buy U.S. dollars at a fixed exchange rate of 1.55 Swiss francs per dollar.

Loan Activity Slowing to Match Need

By Carl Gewirtz

International Herald Tribune

PARIS — The three-year-long split between the hectic level of activity in the international credit market and the relatively moderate pace of world economic growth is beginning to narrow, with the market now slowing to match the real need for new financing.

Salomon Brothers estimates that $85 billion of Euro-commercial paper and note programs were arranged last year: 239 commercial paper programs totaling $49 billion, and 225 note facilities of $36 billion, up 49 percent from 1985.

INTERNATIONAL CREDIT

In addition, the Organization for Economic Cooperation and Development estimates $58 billion was raised by syndicated bank loans.

But analysts believe that most of this business was replacement finance that took advantage of the low rate of interest and of the banks' reduced lending charges to substitute existing high-cost credits with lower-cost facilities.

The fact that few of the CP or Euronote programs have been fully utilized supports this view, analysts say. As a result, activity in the credit market, as in the Eurobond market, is expected to slow until the need for new cash picks up.

Unless, of course, there is a further dramatic decline in borrowing costs. But this now seems unlikely.

Electricité de France is in the market seeking to refinance a $1 billion line of credit at lower cost and has run into some resistance.

Citicorp, which is handling the restructuring, had said all along that a number of banks in the original syndicate would take this opportunity to drop out. Many of the smaller banks that were active in the market when the loan was arranged in 1984 no longer are.

Neither Citibank nor EDF is willing to state what the dropout rate has been, but there are rumors in the market that it is substantial. No one has any doubt about that the full amount will be subscribed. The major remaining banks will take a larger share and the Japanese banks that are more active now than they were in 1984 will increase their share.

Nevertheless, the operation has raised questions about whether bank charges are too low to appeal to lenders. EDF is offering an annual facility fee of 5 basis points, or .05 percent, for the 7½ years remaining and will pay 2½ to 10 basis points over the London interbank offered rate, depending on how much is used, to draw on the loan.

The EDF experience shows that the rare occasions last year when lower facility fees were set on much smaller loans will not be repeated, bankers say. At the very least, they say, 5 basis points now represents a floor. Some argue that this signals that charges will rise.

They may simply be whistling in the dark, however. Charges have fallen sharply as banks, with funds to lend and little new business, have scrambled to compete for lending opportunities. This is not likely to change so long as demand for credit remains subdued.

The only major new transaction announced last week was a $360 million financing for the Mersin-Toprakkale Gaziangep motorway in Turkey, a 150-mile (245-kilometer) section of the 2,225-mile Trans-European motorway. Chase Manhattan and Union de Banques Arabes et Françaises are arranging the transaction.

A series of private placements and dollar loans from Turkish banks will provide half the need financing. The rest will be divided between a $55 million syndicated bank loan for Turkey and a $135 million export buyers facility guaranteed in part by Italy's official export credit agency.

The Turkish loan will run for seven years and will pay 1¼ points over Libor. The export facility will run for 13 years and pay interest of 15/16 point over Libor.

Toshiba Is 3d Japanese Firm To Settle Patent Suit With TI

Los Angeles Times Service

LOS ANGELES — Texas Instruments Inc. has settled with Toshiba Corp., one of several Japanese makers of semiconductors it sued in a patent infringement case.

The Dallas-based company, one of the pioneers in computer chip design, said Friday it had dropped the charges in exchange for a cross-licensing of the two companies' semiconductor patents, fixed royalty payments that it called "significant," and royalties based on future sales.

In January, Texas Instruments settled similar charges against Sharp Corp. and Fujitsu Ltd., two other Japanese chip makers that it claimed had continued to make patented semiconductor products after license agreements had lapsed.

Still named in the suit are five other Japanese companies: NEC Corp., Oki Electric Industry Co., Matsushita, Mitsubishi and Hitachi, as well as Samsung Co., a Korean chip-maker.

The U.S. International Trade Commission has agreed to drop Toshiba from the patent-infringement investigations begun at Texas Instruments' behest.

The commission has 30 days to review the decision, but already has upheld the Sharp and Fujitsu settlements. The Toshiba agreement must also be reviewed by the Japanese government.

Hungary Must Reverse Debt Pattern Or Face 'Consequences,' Official Says

Reuters

BUDAPEST — Hungary's economic problems are severe and the country "cannot take another year like 1986" without consequences, the deputy prime minister, Frigyes Berecz, has said.

"Any increase to our present loans may prove to be dangerous," Mr. Berecz said Saturday in a speech reported by the news agency MTI. He said that borrowed funds must be used more effectively.

"Though the economic situation today is really severe, we are not heading for bankruptcy," the deputy prime minister added. "It is true, however, that we cannot take another year like 1986 was without consequences."

Hungary's hard-currency debt jumped by 54 percent in 1986 to $7.7 billion, according to provisional figures from the central bank, and posted a trade deficit of $470 million with the West.

"A turn with tangible results must be made in running the economy this year," Mr. Berecz told the Hungarian Economists' Society.

The country's currency reserves plummeted last year because of the collapse in oil prices, which slashed revenue from exports of oil products refined from Soviet crude. Agricultural exports suffered from low world prices and a temporary import ban imposed by the European Community after the Soviet nuclear disaster at Chernobyl.

■ Talks With GM Collapse

Budapest Radio reported Sunday that negotiations had collapsed between General Motors Corp. and the truck maker Raba ETO on exchanging truck parts for imports of Opel cars.

AIRBUS: *U.K. Aides Back Jets*

(Continued from first finance page) airlines by the end of March to justify the start of production.

So far, only Lufthansa AG of West Germany has placed a firm order, for 15 A-340 aircraft and options on 15 more. The deal is valued at $2.5 billion.

But industry sources in London said that Air France, the state-run airline, and Union des Transports Aériens, a private French carrier, had each placed an order for an undisclosed number of jets.

Airbus's success in securing orders for the A-320 figured prominently in the British department's decision to back aid for the A-330 and A-340, Mr. Pattie said. A total of 440 orders have been placed for the A-320, including options.

Another critical factor, he said, was the revision of the A-340's design to include a new Superfan engine that is more fuel-efficient.

The engine revision was a major factor in Lufthansa's decision, officials at the company said, and has prompted Swissair to reassess its tentative agreement with McDonnell Douglas to buy the MD-11, a rival to the four-engine A-340.

McDonnell Douglas counts Swissair among the 13 companies that have placed a total of 55 firm orders for the MD-11.

Kaiser Aluminum May Sell Unit to a Dutch Company

Reuters

OAKLAND, California — Kaiser Aluminum & Chemical Corp., the third-largest American aluminum producer, has reached a preliminary agreement to sell its Kaiser Aluminum Europe unit to Hoogovens Groep BV of the Netherlands for an undisclosed price.

Kaiser said it expected to finalize a letter of intent with Hoogovens, a metal processor, within 30 days.

Kaiser has heavy debts and has recently sold several businesses. It said the European unit employs about 2,700 people and was profitable in 1986, with sales of $354 million.

Kaiser, which had a 1986 loss of $32.7 million after losing $186.5 million in 1985, said it would use part of the sale's proceeds to reduce debt.

The company lost a proxy battle last year with Alan E. Clore, a British investor, and approved a restructuring plan in December under which Mr. Clore would become chairman of a new holding company in exchange for injecting $140 million in capital.

A Kaiser spokesman said the principal operations included in the sale agreement are in West Germany. They include a primary aluminum smelter in Voerde able to produce 77,000 short tons (about 69,850 metric tons) a year.

They also include an extrusion operation in Vogt; an aluminum-sheet and plate-extrusion plant in Koblenz, and a wire and cable plant in Berlin.

In addition, the European subsidiary has operations in Belgium and Switzerland, Kaiser said.

EUROBONDS: *Frenzy for Dollar Looked Overdone by End of the Week*

(Continued from first finance page) forward exchange rates and volatility factors, they say the contracts are overpriced.

Bankers do not dispute that view. But, they say, that is because options traded on the various exchanges do not go beyond nine months. Custom-made contracts for longer periods can be bought from banks, but these cannot be traded. Thus, the high cost compensates for the tradability of these longer dated contracts.

Institutional investors were reported to be big buyers, hedging their nondollar stock or bond portfolios against a continued appreciation of the dollar. In addition, for many institutions this is their only opportunity to engage in currency speculation.

This effervescence in the currency bubbled over to the dollar sector of the Eurobond market. Only a trickle of fixed-coupon Eurodollar bonds have been marketed so far this year, and that, at terms generally regarded as attractive, was easily placed.

As a result, there was a paucity of paper as demand for dollar bonds suddenly picked up. By end-week, according to Credit Suisse First Boston, five-year Eurodollar bonds were yielding 35 basis points, or 0.35 percent, more than comparably dated Treasury securities. A week earlier the spread had been 48 basis points. In the 10-year area, Eurodollar bonds were yielding 43 basis points over Treasury paper, down from 55.

Thus, the European Community's offering of $250 million of six-year notes, offered at 101 and bearing a coupon of 7¼ percent, was successful. This put the yield on the triple-A rated paper to 44 basis points over the Treasury curve.

But by end-week, realistic pricing was thrown to the winds as investment banks attempted to get their clients into a rallying market.

Elf-Aquitaine offered $75 million of 10-year bonds at par bearing a coupon of 7¾ percent, around 75 basis points over the Treasury curve.

Swedish Export Credit made two issues, each of $100 million. Its three-year notes, offered at 101.3 with a coupon of 6¾ percent, were set at what was regarded as a too-thin 20 basis points over the curve and the paper traded outside the fees at a discount of 1⅜ points. Its seven-year bonds, offered at 100½ with a coupon of 7½, yielded 65 basis points more than Treasury paper, a level regarded as adequate.

Treasury Bonds

Feb. 6

Maturity	Close Bid	Close Ask	Yield	Wk-ago Yield
31.7.89	99 [illegible]	99 [illegible]	6.31	6.32
15.2.90	99 [illegible]	99 [illegible]	6.58	6.48
31.12.90	99 [illegible]	99 [illegible]	6.66	6.65
15.2.92	99 [illegible]	99 [illegible]	6.72	6.72
15.1.94	100 [illegible]	100 [illegible]	6.99	7.00
15.5.96	100 [illegible]	100 [illegible]	7.17	7.18
15.2.06	117	117 [illegible]	7.65	7.70
15.5.16	100 [illegible]	100 [illegible]	7.46	7.47

Source: Salomon Inc.

Successful Refunding Draws Sighs of Relief

United Press International

NEW YORK — Bond prices were little changed as the market breathed a sigh of relief over the successful $29 billion Treasury refunding auction and focused on this week's policy meeting of the Federal Reserve Board.

U.S. CREDIT MARKETS

"The refunding went very well; Japanese buyers were much more aggressive in buying them than had been predicted," Philip Braverman, chief economist of Irving Securities, said Friday.

"The issues have been largely distributed," or not left in inventories of primary dealers who must bid on them.

The $10 billion of three-year Treasury notes sold at a yield of 6.54 percent; $9.75 billion of 10-year notes at 7.25 percent; and $9.25 billion of 30-year bonds at 7.49 percent. All were well bid, with foreign investors buying up to 50 percent of the 30-year bond.

The Fed's Open Market Committee is to meet this week. Market participants differed over whether monetary policy has been altered following moves to drain money from the banking system.

Henry Kaufman, chief economist of Salomon Brothers Inc., said he believed that recent Fed moves were technical. "It is unlikely that the Fed has intended to produce noticeably tighter money market conditions," he said.

U.S. Consumer Rates

Feb. 6

Passbook Savings	5.50%
Tax Exempt Bonds Bond Buyer 20-Bond Index	6.57%
Money Market Funds Donoghue's 7-Day Average	5.45%
Bank Money Market Accounts Bank Rate Monitor Index	5.41%
Home Mortgage, FHLB average	9.36%

Source: New York Times.

SELECTED U.S.A./O.T.C. QUOTATIONS

	BID	ASK
Bitter Corp.	3¾	4
Chiron	23½	24
GoodMark Foods	13½	13¾
MAG Holdings	5	5⅜
NAV-AIR	1⅞	2¼
Spectrodyne	19	19¾

WITH COMPLIMENTS OF CONTINENTAL AMERICAN

These are indicative prices as of Feb. 5, 1987

NASDAQ National Market

OTC Consolidated trading for week ended Friday. Feb. 6

	Div.	Yld.	Sales in 100s	High	Low	Close	Net Ch'ge
A							
ABS	.60	3.3	10	19	18	18¼	+ ¼
ACC Cp			88	4⅜	3⅞	4¼	— ¼
ADC s			6472	24¼	20¾	21	—2½
AEC	.32	2.5	40	13½	12½	12¾	— ½
AEL			1504	13¾	11¾	13½	+1½
AEP			70	9¾	9¾	9¾	
AIFS			47	7¼	7	7	+ ½
AIM Tel			373	5½	5	5¼	— ⅛
ALC Cm			807	2½	2	2⅜	+ ⅛
ARC Int			224	4	3⅝	3⅞	+ ¼
ASK			27656	15⅛	12¾	14⅝	+1⅞
AST			9070	18⅝	15⅝	17⅞	+2⅛
AT&E			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AYT			1091	10⅛	9½	9¾	— ¼
AW A			260	3¼	2¾	2⅞	— ¼
AarnBr			1401	8¼	7	7½	+ ¼
AarnRt	.05e	.3	564	15	14¼	15	+ ¼
AbingS			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Abrams	.24	3.0	2	8	8	8	
AcuJoe			10293	3	2⅝	2¾	+ ⅛
Acadin			1252	2⅞	2⅝	2⅝	— ⅛
Acelrtn	t		1590	9⅛	8⅝	9	+ ⅛
Aceptin			559	9¼	8½	8¾	+ ⅛
AcuRay	.28	.6	16	44¾	44	44½	+ ⅛
Acrito	.14r	.8	607	18¼	17¼	17⅜	+ ¼
ACMAT			104	16¾	15	15¾	— ¾
AcmeSt			1850	10⅞	9⅝	10⅝	+ ¾
Acivsn			11940	1⅜	1¼	1¼	— ⅛
Actmed			890	35	33	34½	+ ½
Acusn			9291	14¼	13¾	14	— ¼
AdacLb			8974	2¾	2⅜	2½	+ ⅛
Adage			354	3	2⅝	2⅝	— ⅜
AdRsIEl			1281	17¼	16	16¾	+ ½
Adapt			3577	18½	16¼	16¾	+ ½
AdisnW	.90	2.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]							
ABusph			343	6½	5½	6¼	+ ½
AmCapac			1691	12¼	11	11½	— ½
AmCarr			8464	11¾	10	10⅝	+ ⅝
AmCity			[illegible]	[illegible]	[illegible]	27¾	— ½
AConsu			90	9	8⅝	8⅝	— ¼
AContl	.10e	.8	1086	14¾	12⅞	13¼	—1½
AmCrse	t		136	4¼	4	4	— ¼
AmEcol			204	17¼	16½	16⅝	— ¼
AExpl			592	3⅞	3⅝	3⅝	+ ¼
AFdSL	.60	7.1	290	8½	7⅝	8½	+ ¼
AFilfr s	.72	3.4	6022	22	21	21	— ½
AmFrst			433	2⅞	2½	2⅝	— ¼
AGreet	.46	2.2	19210	25¾	20⅝	21⅝	+2⅝
AmHlth			840	18	16	16¼	— ¼
AHIsld			2405	7⅞	7⅜	7½	

	Div.	Yld.	Sales in 100s	High	Low	Close	Net Ch'ge
AmInLf	.40	2.7	549	15¼	14⅞	15	+ ⅛
AIndF	1.12	6.1	1186	18¾	18¼	18⅜	— ⅛
AIM 84	2.00e	9.9	500	20½	20¼	20⅜	
AIM 85	.25e	1.3	900	20¼	19⅝	19½	— ⅛
AmIntg			[illegible]	7⅝	6	[illegible]	[illegible]
ALand	t		340	8¾	7⅞	8½	+ ¾
ALnd wt			20	1⅝	1⅝	1⅝	+ ½
AmLck	.28	2.2	25	12⅝	12¾	12¾	+ ¼
AMagnt			157	5⅞	5⅝	[illegible]	— ⅛
AMS s			1465	30¼	26¼	30¾	+4
AMidl			4842	⅝		⅝	+
ANtIns	1.32	3.0	727	44¾	[illegible]	44½	
AmNwk			[illegible]	1⅝	1½	1½	— ¼
ANuclC			259	2¾	2¼	2⅝	+ ⅛
AmNurs			1195	8¼	7¼	8	+ ⅝
APhyG			420	3⅝	3⅛	[illegible]	
AmPion			187	8	7½	8	+ ½
ARelian			754	14	13¼	13¼	— ¼
AmRest			10	2¾	1⅞	1⅞	— ⅝
ASavNY	.15e	.8	4746	18⅝	17⅞	17⅞	— ⅝
ASNY pf			[illegible]	22½	[illegible]	22	
ASvWA	.15e	1.0	682	15¼	14¾	15¼	
AmSec	1.02	3.0	546	34⅞	33⅝	33¾	— ¾
AmShrd			39	1⅞	1⅝	1⅞	
AmSoft	.16e	.7	3319	22½	21	21⅝	— ⅝
ASurg			1919	⅞	¼	⅞	+
ATvCm			18448	19⅞	18	19¼	+1⅛
AmTrav			611	8¼	6⅝	8¼	+1⅞
AWstCp	t		1518	8½	6⅞	[illegible]	[illegible]
AWood			269	14½	14	14½	+ ½
AmFtFd			4647	10¼	9⅝	10	+ ¼
Amritr	1.76	4.6	11036	39¼	38⅛	38⅞	— ¼
Amrwst			192	20½	20	20	
Amerik			564	2⅞	2¼	2⅞	— ⅛
Amgen			10363	29¾	25¾	29½	+3
Amistar			673	7	4⅞	6½	+1½
AmskB s	.56	2.5	2209	23¼	21¾	22	—1

[illegible]

Mutual Funds

Figures as of close of trading Friday Feb. 6

NEW YORK (AP)— The following quotations, supplied by the National Association of Securities Dealers, Inc., are the prices at which these securities could have been sold (Net Asset Value) or bought (value plus sales charge) Friday.

	Bid	Ask
AARP Invst:		
CapGr	24.16	NL
GlnlM	16.30	NL
GenBd	16.11	NL
GthInc	23.55	NL
TxFBd	17.21	NL
TxFSh	15.78	NL
ABT Midwest:		
Emrg	10.58	11.53
GthInc	13.32	14.56
IntGv	10.77	10.99
LG Gvt	10.57	11.22
LG Gth	13.39	14.16
SecInc	12.03	13.15
UtilInc	16.29	17.80
TFLtd	10.53	10.74
ADTEK	18.24	NL
AIM Funds:		
Chart	7.04	7.39
Constl	26.80	28.14
CvYld	12.48	13.10
Grnwy	11.45	12.02
[illegible]		

	Bid	Ask
Bowser	2.08	NL
Brndywn	14.36	NL
Bruce n	120.90	NL
Bull & Bear Gp:		
CapGr	11.92	NL
EqInc	12.11	NL
Golcn	14.80	NL
HiYld	13.77	NL
TxFre	18.62	NL
USGvt	[illegible]	NL
CalMun	9.10	NL
CalTrst	12.09	NL
Calvert Group:		
Equity	23.32	NL
Inco	17.16	17.98
Social	25.70	26.91
TxF Lt	10.71	NL
TxF Lg	16.49	NL
WshA r	20.90	NL
Calvin Bullock:		
BalShs	16.16	17.48
Grwth	8.99	9.83
Candn	8.56	9.38
DivShs unavail		
USGvt	12.57	13.23
AggGr	11.10	12.13
HiInco	10.11	10.90
MoInc	13.84	14.83
TxFre	11.13	11.69
Carnegie Funds:		
Govt	10.29	10.72
CapGr	16.00	16.67
CapTR	11.64	12.13
Cardnl	16.41	17.93
CentGv	9.37	9.84
Cnt Shs	20.26	NL
Chs Dir	11.51	NL
Chestnut	76.95	NL
[illegible]		

[illegible]

(Continued on next page)

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Sales in 100s	High	Low	Close	Chg'ge
(Continued)				
[illegible]				

YlowF s	.42	1.7	25674	35⅞	31⅞	35½ +3⅝
YrkFn s	.48b	3.4	395	20⅞	19¾	20¼ + ½
ZZBest			29182	8½	5⅝	8⅛ +2⅞
ZZBst wt			9171	4¼	2⅞	3⅞ +1¼
Zehntel			11458	4⅝	3¾	4½ + ¾
ZenNtl	.80	3.2	2287	25½	23¼	25 +1¾
Zentec			1205	6	5⅜	5⅝
Zeus			96	5⅝	4⅝	5⅝ + ½
Ziegler	.52a	2.9	109	17¾	17	17¾
ZionUt	1.44	3.1	366	47½	43¾	46 +2
Zitel			1231	3½	2½	3 + ½
Ziyad			1066	3⅞	3⅛	3⅜ — ⅛
Zondvn		.3	1533	27¾	26⅝	27¼ — ½
Zycad			11163	6	5¼	5½ — ¼
Zygo			41	7	6⅛	6¼ — ¼
Zymos			6400	2⅛	1⅝	2⅛ + ½

U.S. Banks Hopeful on Securities Trading

Reuters

WASHINGTON — U.S. bankers are moving closer to winning securities investment powers through possible regulatory and legislative action this year, according to banking analysts.

While Congress gets ready to grapple with complex banking legislation, the Federal Reserve Board is considering proposals to broaden banks' securities powers under current law.

U.S. bankers say they feel cautiously optimistic they may gain on both fronts, despite strong opposition from the securities industry.

"There is definitely going to be legislation this year," said Kenneth Guenther, executive vice-president of the Independent Bankers Association of America.

Banking industry analysts say they believe that some securities powers for banks could be added to legislation before the Senate and House banking committees.

One banking industry lobbyist said he thought that the Senate Banking Committee chairman, William Proxmire, a Democrat of Wisconsin, would schedule an early vote on the issue. "I think it's a vote we can win," he said.

The securities industry, anxious to keep commercial bankers out of this profitable business, has fought hard, and largely successfully, against new powers for banks.

Bankers would like to see comprehensive reform of the depression-era banking law, the Glass-Steagall Act, which bars commercial bankers from engaging in investment banking.

They argue that time and technology have changed the financial services market and new securities powers are needed if the U.S. banking industry is to remain healthy.

Bankers have complained that they are losing business because some corporate customers have turned to the securities market to raise money where before they would borrow from banks.

While the banking industry and the Reagan administration support sweeping changes in banking laws, few analysts believe Congress will enact such changes any time soon.

But some say they are hopeful that Congress will soon grant limited securities powers, such as the right to underwrite and deal in municipal revenue bonds, mortgage-backed securities, commercial paper and issues backed by consumer loans.

"I think there is a possibility of some securities powers emerging from this Congress," Mr. Guenther said.

Senator Proxmire has said he favors changing banking laws so that banks would be allowed to engage in some underwriting activities.

However, he cautioned the Federal Reserve Board against allowing banks to engage in any of those activities, arguing that only Congress should address the issue.

The board is considering applications by Citicorp, J.P. Morgan & Co. and Bankers Trust New York Corp. The three are seeking permission to underwrite and deal in securities under current law by conducting limited business through subsidiaries that already deal in government securities.

"Until the Congress changes the law, the board lacks authority to permit the activities in question," Mr. Proxmire said in a letter to the Fed chairman, Paul A. Volcker.

Mr. Volcker has said he believes banks should be allowed to have those securities powers, but the board must decide whether they are permitted under the current restrictive law.

Mr. Volcker said at a public hearing on the applications that he would prefer that Congress address the issue.

CUBA: *Fighting 'Capitalist Vice'*

(Continued from first finance page)

must cultivate man's sense of shame. We must cultivate man's honor, dignity and his best qualities."

Mr. Castro's new determination to instill in his people "a Communist conscience" represents a major shift in economic policy and goes far beyond ending the free-enterprise ventures that he had permitted since 1980.

At the first of the year, with Cuba caught in one of the worst economic crunches of its socialist history, Mr. Castro began a sweeping austerity program that is likely to continue for many months.

To counter a sharp drop in government revenues, the Cuban leader ordered a broad range of cutbacks to reduce public expenditures. The cutbacks include reductions in personal allotments of rice, milk, beef, beer and fabric for clothing; fewer hours of broadcasting for the two national television channels; a rise in electricity rates, and the doubling of city bus fares to 10 cents.

The austerity campaign is meant to profoundly change Cuban life, Mr. Castro said, instilling not only discipline and greater morality but a toleration of the hardships characteristic of the regime's early years.

Western diplomats and other experts on Cuba say Mr. Castro appeared to be taking Cuba back to the spirit of the 1960s, when revolutionaries like Che rather than economists formulated policy.

In the early 1970s, Mr. Castro shifted to a more orthodox, Soviet-style approach of goals and objectives after failing in 1970 to achieve a much-publicized goal of harvesting 10 million tons of sugar.

Overtime pay, bonuses and other material incentives were introduced. Cars, refrigerators, television sets and other scarce items regarded as luxuries in Cuba, went first to outstanding workers.

In time, Mr. Castro permitted small private businesses such as tailors and plumbers who work mainly out of their homes after doing state jobs. Now most of the worker incentives are being dismantled.

Mr. Castro, trying to explain how things had unraveled, spoke recently to his party's leaders of a "blind belief in mechanisms alone."

Some government officials said that Mr. Castro was not returning to his earlier path, but was heading toward a middle ground that would combine spiritual exhortations in the Guevara style with pragmatic economic structuring.

Although he has criticized production bonuses, Mr. Castro recently acknowledged a need for material incentives for workers engaged in hard, physical labor that is vital to the country, such as cutting sugar cane by hand.

It was the Mariel boatlift in 1980 and the unrest that it reflected that prompted Mr. Castro to open the first of the private farmers' markets. Some 125,000 Cubans fled to Florida when he briefly lifted his ban on leaving the island.

Mr. Castro's decision to permit home ownership came in mid-1985 as part of a general liberalization. Under a 1960 law, the government had seized tens of thousands of houses and apartments from landlords and had taken over the homes of Cubans who fled into exile.

All the homes were assigned to families who paid a monthly rent of 10 percent of one worker's salary. Under the new ownership rules, a family could either purchase a home outright or continue to pay rent, with current and past rent credited toward the purchase price.

In addition, Cubans could build their own homes, a privilege that resulted in a spurt of construction.

The ideological revision that ended home ownership and the farmers' markets is only one of the reasons for the economic changes under way.

Last year, for the first time, petroleum exports edged out sugar as Cuba's leading hard-currency earner. Cuba produced about 800,000 tons of petroleum products in its refineries and sold about four million tons abroad.

The Soviet Union gives Cuba more than enough crude oil and natural gas for its domestic needs, and Cuba exports the excess to get dollars to buy raw materials and spare parts from the West.

The fall in world oil prices has been a major factor in Cuba's estimated 40 percent loss in foreign exchange earnings.

The only solution, Mr. Castro has said, is to cut imports from the West to half of last year's $1.2 billion. Only essential spare parts and manufacturing ingredients will be purchased, he said.

International Bond Prices

(Continued)

Yen Straights

Issuer	Cpn	Mat	Price	Yld Mat	Cur Yld
[illegible]					

Issuer	Cpn	Mat	Price	Yld Mat	Cur Yld
Genl Motors Co	5¾	91	103⅜	4.86	5.56
GMAC	6½	90	104⅝	4.71	6.20
GMAC	5⅜	91	102	4.87	5.27
Goodyear	6⅞	94	104⅛	6.19	6.60
Goodyear	7⅛	95	103⅝	6.54	6.88
Goodyear	6⅝	96	102	6.33	6.50
[illegible]					

Wall Street Review

AMEX Most Actives				
Vol.	High	Low	Last	Chg.
[illegible]				

NYSE Most Actives				
Vol.	High	Low	Last	Chg.
[illegible]				

AMEX Diaries	This Wk	Last Wk
Advanced	[illegible]	[illegible]
Declined	[illegible]	[illegible]
Unchanged	[illegible]	[illegible]
Total Issues	[illegible]	[illegible]
New Highs	[illegible]	[illegible]
New Lows	[illegible]	[illegible]

NYSE Diaries	This Wk	Last Wk
Advanced	[illegible]	[illegible]
Declined	[illegible]	[illegible]
Unchanged	[illegible]	[illegible]
Total Issues	[illegible]	[illegible]
New Highs	[illegible]	[illegible]
New Lows	[illegible]	[illegible]

AMEX Sales	Sales Vol.
Total for week	[illegible]
Week ago	[illegible]
Year ago	[illegible]
Jan 1 to date	[illegible]
1986 to date	[illegible]
AMERICAN BONDS ►	
Total for week	[illegible]
Year ago	[illegible]

NYSE Sales	Sales Vol.
Total for week	[illegible]
Week ago	[illegible]
Year ago	[illegible]
Two years ago	[illegible]
Jan 1 to date	[illegible]
1985 to date	[illegible]
1985 to date	[illegible]

Euromarts At a Glance

Eurobond Yields

	Feb. 2	Jan. 28
U.S. $, int'l inst., 8 yrs & over	8.04	8.03
public issuers, 8 yrs & over	8.10	8.18
industrials, 8 yrs & over	8.22	8.25
industrials, 5 to 7 yrs	8.29	8.29
Pounds sterling, 5 to 7 yrs	10.44	10.43
French francs, less than 5 yrs	9.12	9.87
ECU, 8 yrs & over	8.29	8.23
5 to 7 yrs	8.17	8.05
Can. $, 5 to 7 yrs	9.34	9.41
Aus. $, less than 5 yrs	13.96	13.90
N.Z. $, less than 5 yrs	14.20	14.29
Yen, 8 yrs & over	5.74	5.81
5 to 7 yrs	5.13	5.26

Source: Luxembourg Stock Exchange.

Weekly Sales — *Feb. 6*

Primary Market

	Cedel $	Cedel Non$	Euroclear $	Euroclear Non$
Straights	180.50	273.10	1,780.90	470.90
Convert.	—	—	—	5.00
FRNs	—	—	318.00	—
ECP	525.70	89.00	3,175.30	51.10
Total	706.20	362.10	5,274.20	527.00

Secondary Market

	Cedel $	Cedel Non$	Euroclear $	Euroclear Non$
Straights	8,552.10	7,601.90	15,575.10	11,867.60
Convert.	277.70	163.20	1,824.40	148.90
FRNs	3,312.80	1,025.70	16,935.00	1,466.60
ECP	1,425.70	162.70	2,343.30	5.30
Total	13,668.30	8,953.50	36,677.80	13,488.40

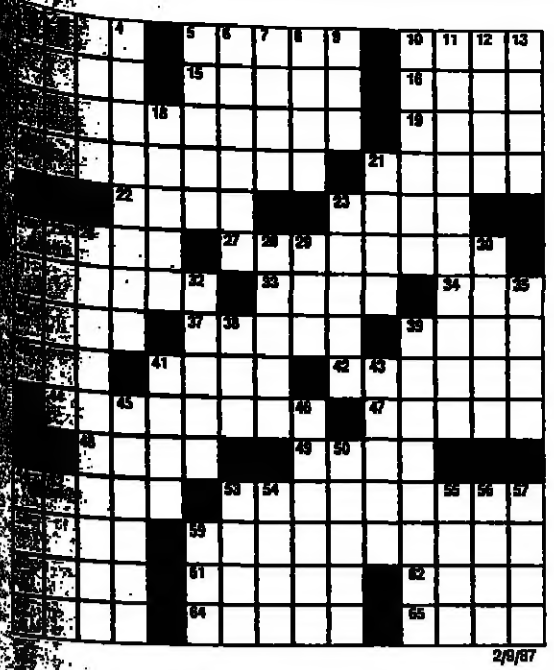
Source: Euroclear, Cedel.

Libor Rates — *Feb. 6*

	1-month	3-month	6-month
U.S. $	6 3/16	6¼	6¼
Deutsche mark	4 1/16	4⅛	4⅛
Pound sterling	—	n.a.	—
French franc	8⅝	8 11/16	8 11/16
ECU	7 7/16	7 7/16	7 7/16
Yen	4⅛	4¼	4⅛

Source: Morgan Guaranty, Lloyds Bank, Reuters.

SPORTS



2/9/87

ACROSS

Greek ars
More talented
Bolshevik's bête noire
Marshal Wyatt ——
Statue covering
Lab burner
Large dogs
Black, to Blake
Lithoid
Tuckered out
Chemical endings
Pitcher
French secular clergymen
27 Like a spellbinder
31 Job
33 Cuckoopint, e.g.
34 Reverence plus fear
36 Down Under beasts
37 Latin dance
39 Tomtit
40 From —— Z
41 Blend
42 Like some questions
44 Counselors
47 Orgs. of sorts
48 Handle
49 Quasi
51 Intact
53 Far from recalcitrant
58 Tow
59 Small, high-spirited dog
60 "Comus" composer
61 Lazed
62 Best or Ferber
63 Neat
64 Orchestra section
65 Actual

DOWN

1 Cols.' commands
2 Rodgers lyrist
3 Mountain: Comb. form
4 Silky-coated dogs
5 Confound
6 Cook in a tightly closed pot
7 Lean and long
8 Fencing sword
9 Thing, to Darrow
10 Home of a brave
11 Some powerful dogs
12 Soon
13 Rave's partner
18 High-strung
21 What Spitz has done well
23 Peer
24 Siren in "East of Eden"
25 Flora and fauna
26 Tracking dog
28 Debussy opus
29 Sphere; globe
30 Whistle sound
32 Verb on a penny
35 What skimpers hope to make meet
38 Employ
39 Traveler on shank's mare
41 Drum's partner
43 Willow
45 Hollow
46 Like some peanuts
50 What malamutes pull
51 "—— Price Glory?"
52 Mata ——
53 Style
54 Shaft on a car
55 Dwell
56 River of Siberia
57 Of an epoch
59 An evergreen

SPORTS BRIEFS

World 100-Yard Dash, Shot Marks Broken

SENFTENBERG, East Germany, Feb 8 (AFP) — Heike Drechsler broke her world indoor record for the 100-yard dash Sunday, while in Macolin, Switzerland, Werner Gunthor set an indoor world mark for the shot put.

Drechsler, 22, who holds the outdoor records for 200 meters and the long jump, was timed in 10.15 seconds at the East German indoor championships. That was nine hundredths of a second faster than she ran the event last year, but the women's 100-yard dash was not included in the list of indoor events for which the International Amateur Athletics Federation began accepting world records on Jan. 1.

Gunthor, Switzerland's surprise gold medalist at last September's European championships, heaved the 16-pound (7.26-kilogram) shot 73 feet ½ inch, 4½ inches better than the record that Ulf Timmermann of East Germany set last year.

Breland Breaks Hand but Wins WBA Title

ATLANTIC CITY, New Jersey (AP) — Mark Breland won the World Boxing Association welterweight title Friday night, knocking out Harold Volbrecht of South Africa with a right to the jaw in the seventh round despite, in the first round, breaking a metacarpal bone in his left hand for the third time since September.

Manager Shelly Finkel said later that Breland, 23, will have surgery on a tendon in that hand, probably next week. Breland, who had tendon surgery on his right hand in 1983, will not fight for four or five months, Finkel said.

Against Volbrecht, who was ranked No. 1 by the WBA, the second-ranked Breland did land some left jabs during the dull first six rounds of the bout for the vacated 147-pound (66.5-kilogram) title. He did not tell his corner he had reinjured the hand, in which the bone was broken while sparring in September and rebroken in December.

Solution to Friday's Puzzle

G	A	M	A		B	A	T	E			S	N	A	G
R	E	E	L		A	L	E	R	T		I	O	T	A
A	R	N	I		S	T	A	I	R		G	W	E	N
D	O	U	B	L	E	O	R	N	O	T	H	I	N	G
			I	A	M				L	E	T			
F	A	N		P	E	N	C	I	L	S		B	I	B
E	T	A	L		N	O	U	S		T	A	R	D	Y
T	A	K	E	I	T	O	R	L	E	A	V	E	I	T
C	L	E	A	N		S	L	A	V		E	V	O	E
H	A	D		D	R	E	S	S	E	D		E	T	S
			C	I	A				R	O	B			
B	Y	H	O	O	K	O	R	B	Y	C	R	O	O	K
R	E	A	R		E	N	E	R	O		A	L	A	I
E	A	R	N		R	E	D	A	N		N	E	S	S
T	R	E	Y			R	O	S	E		D	O	T	S

2/7/87

Stadler Golf Leader

HONOLULU (AP) — Craig Stadler matched the course record with a 10-under-par 62 Saturday to take a one-stroke lead over Paul Azinger after three rounds of the Hawaiian Open Golf Tournament.

Azinger shot 65 to move into second place while Fred Couples, who shared the second-round lead with Bernhard Langer of West Germany, battled back from a double bogey for a 68 that left him two shots off the pace. Langer shot 71 and was five back.

Stadler made 10 birdies — five in a row — and tied the course record set in 1981 by Hale Irwin and Nick Faldo of Britain.

All-Stars Bid Farewell to the Good Doctor

By Roy S. Johnson
New York Times Service

SEATTLE — Something unusual, if not *surprising*, was likely to have occurred Sunday in the National Basketball Association's all-star game, the annual exhibition of pro basketball's ultimate craftsmen. Instead of a succession of anything-you-can-do-I-can-do-better maneuvers, some members of the Eastern Conference team were likely to have began passing the ball with unexpected frequency, forsaking even wide-open shots.

But the passes would not be to just any teammate. Each time Isiah Thomas or Michael Jordan or Dominique Wilkins or Maurice Cheeks or Charles Barkley or even Larry Bird sacrificed a basket, it would be for Julius Erving.

Erving, the master showman and consummate professional, was to be playing in his 11th and final NBA all-star game (in which he has averaged 19.9 points). He will turn 37 at the end of this month, and he will retire at the end of this, his 16th professional season. As a tribute to the player many in this year's game still call their idol, some were saying they would do whatever they could to see that Erving had the all-star game of his life.

"I know if I get the opportunity, I will," said Thomas, who, like Erving, is a two-time most valuable player of the event.

"I'd like to get him the ball whenever I can," said Jordan, who would be playing in his second all-star game. "It's the best way I know to salute a true legend."

As the best players in the Eastern and Western Conferences prepared for the game with informal practices here at the Coliseum, much of the discussion focused on what Erving has meant to them.

"He showed us how to do things in a class way," said Earvin Johnson. "We know we can't imitate his game, but we can imitate him off the court, just being a nice person. I'm just happy for the chance to get to know him as a person."

"I still idolize him," said Wilkins, a two-time all-star. "He's the perfect role model. He does things so people can be happy. I'll be sad to see him go."

"The first day I ever thought about basketball, I thought about Julius Erving," said Mark Aguirre, in his second all-star game. "Julius was basketball to me. He made it exciting. I could go down and sneak into the back-door at the stadium and see my idol. Besides what he's done for the game, he's done a hundred times more through just his presence. *The way he* carries himself. The way he approaches his job night in and night out."

Eric (Sleepy) Floyd, in the game for the first time in his five-year career, pointed to the "character, class and the zeal" Erving displays.

Floyd and Erving traveled to Seattle on Friday on the same flight. That not only gave them an opportunity to chat, but it also allowed Floyd to observe one of the virtues about Erving he most admires.

"It's not so easy for people to come up and ask you for an autograph because some players turn them down so rudely," he said. "It's even harder for people to come up to him, but he greets everyone with a smile. It's little things like that that make him so special."

Tom Chambers, the Seattle forward who would be making his first all-star appearance, as a substitute for the injured Ralph Sampson, developed an ideal image of Erving that he feared would be shattered when he first met him as a rookie five seasons ago.

"Sometimes when you meet a guy like that you're disappointed because they're not as friendly or approachable as you hoped they would be," he said. "But the first time we played them, he reached out, shook my hand, and said 'Welcome to the league.' And he genuinely meant it. I'm just happy to be in the same game with him. Being that it's his last one, it's beyond description."

"Sometimes when he's out on the court, he's so big it looks like the game gets lost in him," Aguirre said. "When he steps on the floor it's still a game, but it's more.

"He's history."

Ralph Schauer/Reuters-United Press International

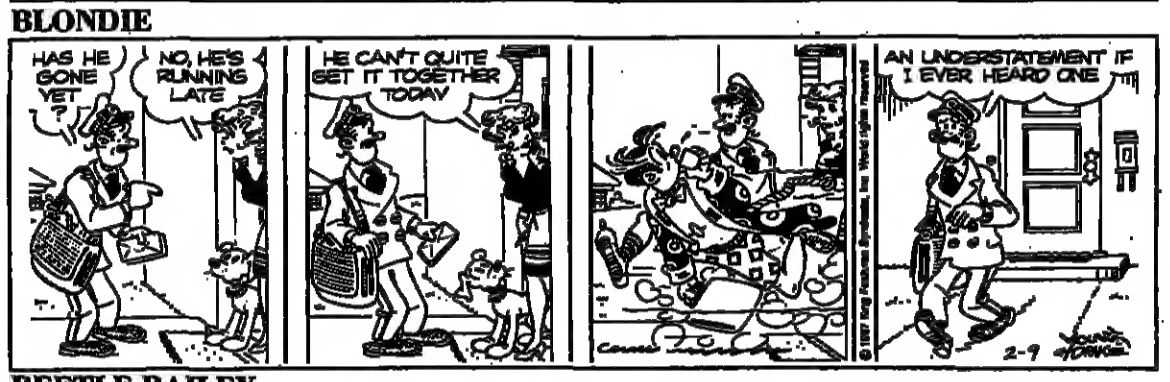
Julius Erving: Good moves, on and off the court.

DENNIS THE MENACE

"SURE HE'S A NORMAL BOY. AND I'M ROBERT REDFORD."

PEANUTS

BLONDIE



BEETLE BAILEY

JUMBLE THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

LYMAN

REESA

HOYBIS

WEENST

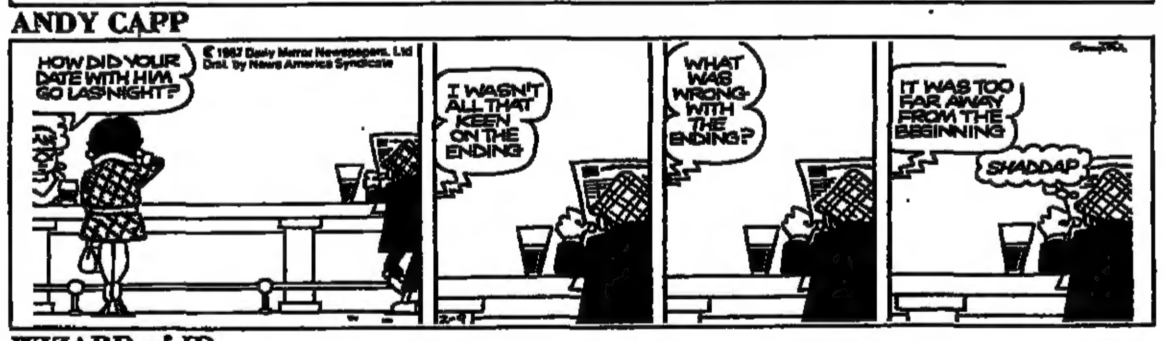
Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer: HE "□□□□□□"

(Answers tomorrow)

Friday's Jumbles: ABYSS WALTZ CORRAL NAUGHT
Answer: The girls wouldn't trust that cowboy because he was always trying to do this — THROW THE BULL.

ANDY CAPP



WIZARD of ID

WEATHER

EUROPE — ASIA — AFRICA — LATIN AMERICA — MIDDLE EAST — OCEANIA — NORTH AMERICA

MONDAY'S FORECAST

REX MORGAN

GARFIELD

WORLD STOCKS IN REVIEW / *Via Agence France-Presse*

Amsterdam

Prices on the Amsterdam stock exchange edged up at the end of the week after losing ground earlier while the dollar was still falling.

The ANP-CBS general share index dropped to 260.1 on Wednesday, down from 262.3 on Friday of the previous week, but moved up to 262.5 on the final day of trading.

An exception to the weaker trend was Royal Dutch, which went from 214.60 guilders to 222.70, with support from New York where investors were bullish on oil securities.

Philips also made a strong showing, with shares rising from 44.20 to 46.50 guilders.

Volume amounted to 4.821 billion guilders, down from 4.954 billion the previous week.

Frankfurt

The Frankfurt stock exchange staged a modest recovery near the end of a week of generally sluggish trading in which the Commerzbank index fell 68 points to 1,739.6.

Foreign investors, reacting to the dollar's weakness, were heavy sellers of German shares, and market analysts said trading this week would be influenced by lingering uncertainty over the dollar's direction.

Despite the recovery Thursday and Friday, paralleling the dollar's, most major issues closed lower last week, notably banks and insurance companies. Deutsche Bank was down 46.50 Deutsche marks, Dresdner lost 24 DM and Commerzbank gave up 17.5 DM.

Hong Kong

Bulls went on a post-Lunar New Year buying spree on the Hong Kong stock exchange this week, boosting indexes to new record highs.

The bellwether Hang Seng index finished Friday at a record 2,673.57, up 120.32 on the week. The Hong Kong index rose 76.17 to 1,713.79.

Analysts said the buying began as soon as the market opened Monday after a four-and-a-half-day holiday that was preceded by two days of gains.

Prompting the upsurge, they said, were expectations that major Hong Kong companies would be reporting healthy 1986 profits in the next two months and that the Hang Seng index would crack 3,000 by year's end.

"There's more to come," one broker put it, although a slight correction was expected in the coming week.

London

The surge in share prices continued last week on the London Stock Exchange with all the main indices hitting new peaks.

The Financial Times index of 30 industrial stocks broke the 1,500-point mark for the first time to close up 67.9 points on the week at 1,508.9. The more widely-based FT-Stock Exchange index, measuring 100 leading shares, also reached new ground, closing up 90.1 points at 1,898.4.

Sentiment was buoyed by optimistic forecasts for the British economy and rising hopes for a budget that would include tax cuts.

The pharmaceuticals sector led the rise in share prices, with Glaxo up sharply on hopes for a new drug. Oils were boosted by news that a consortium of American oil companies known as Aramco had concluded a longterm agreement with Saudi Arabia to buy up to 1.3 million barrels a day at fixed prices.

Milan

Milan stocks were in the doldrums again last week, and the Comit index closed at 705.11, down 0.4 percent from the previous week.

Activity was weak. Only 133 million shares changed hands, down from 165 million the previous week, for a total value of 666.034 billion lire, compared with 789,387 billion.

In five days of slack trading, the only stocks that excited interest were Montedison, after a managerial reshuffle and the announcement of annual figures the previous week, and the insurance firm SAI, which announced plans to increase capital.

Paris

Trading was nervous last week on the Paris Bourse in reaction to anxiety over the course of the dollar.

The CAC index ended the week at 418.4, up from 418 the previous Friday. Trading was robust at the start of the week, with the index hitting 421.5 Monday in response to a decline in short-term interest rates in West Germany and the announcement of a narrowing in France's trade deficit at the end of 1986.

But on Tuesday, as the dollar slumped, the index weakened on fears that profits of exporting companies would suffer and that French interest rates would have to be kept high to defend the franc against a surge in the mark's value.

Questions about the quality of equipment provided for French competitors in the world skiing championship by the company Skis Rossignol triggered a 6 percent decline in the value of its shares over Monday and Tuesday.

On Wednesday, sales by foreign investors in response to the declining dollar intensified and the index dropped to 413.9. The trend was reversed on Thursday as the dollar firmed and France posted a balance of payments surplus in 1986.

Singapore

In the first trading week of the Lunar New Year, the Straits Times Industrial Index gained an impressive 16.96 points to finish at 965.98 and appeared poised to break the 1,000 mark soon.

The sharp rise in prices was mostly in quality issues. Malaysian stocks also were in the limelight the entire week.

Strong buying in Hong Kong and and early bullishness in Tokyo also contributed to the gains in Singapore, analysts said. Average daily volume amounted to 36 million units and scattered profit-taking emerged in mid-week.

Tokyo

Prices on the Tokyo stock market fell for three straight sessions at the end of last week, despite a bullish start on Monday, as individual investors sold stocks to produce funds for shares in Nippon Telegraph and Telephone Corp., which is to be listed next Monday.

The 225-stock Nikkei average closed at 19,550.21 yen after a half-day pre-holiday session Saturday, down 458.14 yen down on the previous week's close.

The Nikkei had soared to 20,072.09 yen Monday, breaking the record set just the previous week when the average topped the 20,000-yen mark for the first time.

With NTT due to come into the market Monday, investors focused on issues related to NTT businesses and giant-capital stocks, leaving many others neglected. Small lot sellings on other issues pushed market prices down, brokers said.

One analyst described the fall as "a lull before a storm," a reference to the listing of NTT. About 10.4 million people have applied for NTT stock, meaning that the issue has been oversubscribed six times.

Zurich

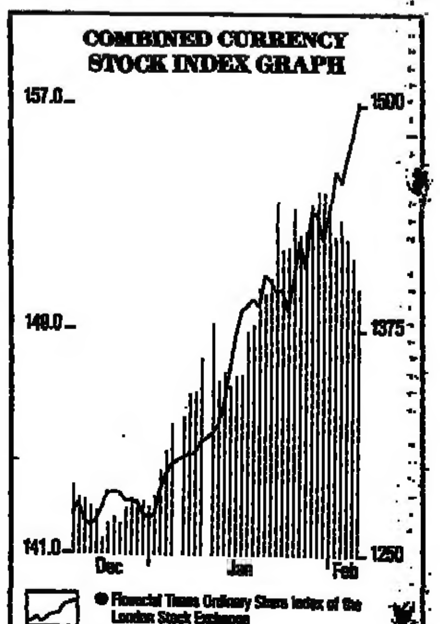
The Zurich stock exchange saw heavy selling last week, notably by British and American investors reacting to a weakening dollar.

The wave of selling turned calmer Wednesday when the U.S. currency began to gain ground against the Swiss franc.

Market analysts said this week's trading would depend on the course of the dollar.

The Credit Suisse index dropped to 641.5 points on Friday, down from 647.5 on Jan. 30, and is expected move 5 percent either way this week depending on changes in the dollar.

COMBINED CURRENCY STOCK INDEX GRAPH



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SPORTS

Hess Takes Sixth World Title; Wörndl, in Upset, Wins Slalom

Compiled by Our Staff From Dispatches

CRANS-MONTANA, Switzerland — Frank Wörndl of West Germany, in Sunday's final event of the Alpine Ski World Championships, produced the upset of the competition by winning the men's slalom by a margin of 0.19 seconds.

The day before, Erika Hess, 24, who is to retire at the end of this season, had crowned her 10-year career with a sixth world title, winning the women's slalom to become Switzerland's third double gold medalist at these championships.

The 27-year-old Wörndl's previous best performance, despite nine years on the ski circuit, was fifth in a World Cup slalom at Hinterstoder, Austria, seven weeks ago. But he upset a star-studded field Sunday to give West Germany its first men's slalom gold in a world championship.

Dieter Endlicher/AP

Frank Wörndl: "Overjoyed."

He and Marc Girardelli of Luxembourg were the only non-Swiss winners in this year's 10-race championships. Girardelli won the men's combined and finished fourth in the slalom, barely missing his fourth medal of the meet.

Wörndl punched the air as he completed his second heat in 54.03 seconds for a two-run total of 1:54.63. "I'm overjoyed," he said. "I had hoped to make the first 15, but after the first run I knew I had a chance of a medal."

Günther Mader of Austria won the silver medal in 1:54.82. First-run leader Armin Bittner of West Germany took the bronze in 1:55.03, edging Girardelli by .08 seconds.

American Felix McGrath finished 10th, in 1:56.29. That left the United States with just one medal, Tamara McKinney's bronze in the women's combined. It was the worst world championship showing for the Americans, who had won four medals two years ago, since they were shut out in 1978.

The Swiss won a record eight golds on their home slopes, but in the finale they did not fare well. Jean-Daniel Deleze and Joel Gaspoz tied for seventh at 1:55.78, 1.06 seconds behind sixth-place Bojan Krizaj of Yugoslavia.

Pirmin Zurbriggen, the Swiss superstar who won the giant and super-giant slaloms, was tied for 12th after the first run but 20 seconds into the second missed a gate and dropped out. Jonas Nilsson of Sweden, the defending champion, was 21st after the first run, but he too missed a gate in the second.

Swedes had won the world championship slalom three consecutive times: Ingemar Stenmark in 1978 and 1982 and Nilsson two years ago in Bormio, Italy. West Germans never had won — until Wörndl charged down the mountain.

"Until today," he said, "the joy of skiing was always bigger for me than the fact that I wasn't winning any races."

After the first run, made through 72 gates on the 541-meter (589-yard) Nationale course, a third of a second separated the first seven finishers. McGrath was .99 seconds out while posting the 16th fastest time.

The second run was quicker, with seven fewer gates, and Girardelli, second out of the gate, made the fastest run of the day, 53.63 seconds.

Nobody came with three-quarters of a second of him until Mader, starting eighth, took the lead with a 53.86-second run. For a while it looked as if Austria would win its first championship gold since 1982. Then Wörndl came roaring down.

On Saturday, Hess bowed out of the world championships with a dream of a second run that shot her past first-heat winner Roswitha Steiner of Austria.

Hess, third after the first run, sped through the 55 gates of the second in 46.51 seconds to finish with a total of 1:33.30. Steiner was timed in 1:33.55, after having held a 1.33-second lead on Hess.

Mateja Svet, 18, who earlier had become the first Yugoslav woman to win a world championship medal, took her second bronze and third medal of this competition.

"It was a fantastic finale," said Hess, who won the women's combined gold a week ago. She threw her skis into the air as Steiner finished her second run.

In addition to Hess and Zurbriggen, Maria Walliser won two golds for Switzerland, in the women's downhill and super-giant slalom.

At the last world championships, in Bormio, Italy, Hess had failed to finish and that disappointment had lingered.

"This is revenge for Bormio," said her coach, René Vaudroz.

Philippe Wojazer/Reuters

Erika Hess, Switzerland's third double gold medalist of 1987.

The Nationale course, with its 55 tight, twisty gates, dropped 574 feet (92.8 meters), just 16 feet less than the permitted maximum. The steep slope claimed 24 of the 67 starters in the first run, including such top contenders as McKinney and Swiss giant-slalom winner Vreni Schneider.

McKinney was so upset that she stayed on the side of the course for 20 minutes, looking at the spot where her hopes of victory had vanished. She skied to the finish area with tears in her eyes and declined to talk about her run.

The dropouts continued in the second run, with 4 of the top 15 failing to complete the course. Among them was Monika Maierhofer of Austria, second after the first run in 46.69. She missed a gate, skied to the barrier at the side of the trail, sat down and put her head in her hands.

But Hess, by the midpoint of her run, was skiing smoothly and strongly, plowing through the gates and stretching to get the final strides over as quickly as possible. She had overtaken Steiner and now had to wait to see if the front-runner could match her pace.

Steiner could not.

The co-champion with Hess of the World Cup women's slalom last year, Steiner appeared tense and nervous during her run. She eased through the gates very rigidly and, just past the midpoint of the course, the gold medal jumped from Austrian hands to Swiss. *(AP, UPI)*

France Rallies to Down Wales, 16-9; Ireland Opens by Blanking England

By Bob Donahue
International Herald Tribune

PARIS — France took 78 minutes to get ahead of Wales in a 90-minute rugby match here Saturday, but a strong French finish left no doubt in Welsh minds about who had deserved to win. Said Des Barnett, president of the Welsh Rugby Football Union, "This *is* the best French team ever."

The score went from 3-9 in the 35th minute to 16-9 at the end. The power of the French forwards and the backs' attacking "magic" — Welsh Coach Tony Gray's word — wore down resistance that had been skillful, fierce and controversial.

In Dublin, meanwhile, Ireland shut out England, 17-0, with three tries, a conversion and a penalty goal. Center Michael Kiernan, flanker Phil Matthews and left wing Keith Crossan scored the tries; Kiernan, totaling nine points, kicked the goals.

Irish work at improving their scrummaging, after a Five Nations whitewash last year, paid off in this year's tournament opener. The English were held in the scrums and dominated in loose play and in the lineouts. A leading London commentator wrote that this "was probably the worst performance I have ever seen from an England team."

Ireland will play away against Scotland on Feb. 21. England will be at home against France.

The controversy in Paris involved stoppages for real or feigned injury. Much of the noisy crowd's afternoon was spent booing the Welsh physiotherapist, Tudor Jones, as he trundled on and off the field. "Tactical injuries," a veteran Welsh referee joked afterward. And Barnett got the biggest laugh at the joint banquet Saturday evening with the mock-solemn line, "I would like to congratulate Tudor Jones for the way he played today."

But for Albert Ferrasse, president of the French rugby federation, the Welsh stoppages "spoiled" an otherwise good match. There were more than a dozen of them, compared to only one for France. Referee Colin High, an Englishman officiating in the Five Nations tournament for the first time, added five minutes to each half and later said he had found the stops "very frustrating."

The French coach, Jacques Fouroux, said the Welsh were smart to break the momentum every time France went into high gear. But he

FIVE NATIONS RUGBY

called for a change in the rules to require play to continue while minor injuries are treated on the sidelines.

Wales countered the French in the scrums with an outstanding display by tighthead prop Stuart Evans and clever spoiling by the back row when the scrummage was wheeled. Evans was also effective in the mauls.

Locks Robert Norster and Steve Sutton had their way in the lineouts until the French captain, hooker Daniel Dubroca, changed tactics at halftime. "Good captaincy," said John Dawes, the WRFU's tactical guru. The French had five tall men to Wales's four, so the trick was to throw in to the one big guy — usually Alain Lorieux, near the front — who had a smaller *vis-à-vis*.

By varying the throw-ins, France recovered enough control to come back in the second half and win what Welsh captain David Pickering called "a very well deserved victory."

Fullback Paul Thorburn connected with three out of five penalty kicks before going off with a broken left collar bone in the 38th minute. He is expected to be out for eight weeks — leaving him time to make the Welsh World Cup squad in May. Malcolm Dacey replaced him.

The injury came just after his third goal. The French drove deep into Welsh territory and were penalized. When Welsh flyhalf Jonathan Davies for once failed to find touch with a long kick, French fullback Serge Blanco booted high and then zeroed in on Thorburn, who bravely received the ball and all 85 kilograms (187 pounds) of Blanco at the same time.

Philippe Bérot, France's right wing, had only one penalty kick in each half but put both across. The rest of France's scoring came from a try by flyhalf Frank Mesnel, converted by Bérot, and another by left wing Eric Bonneval.

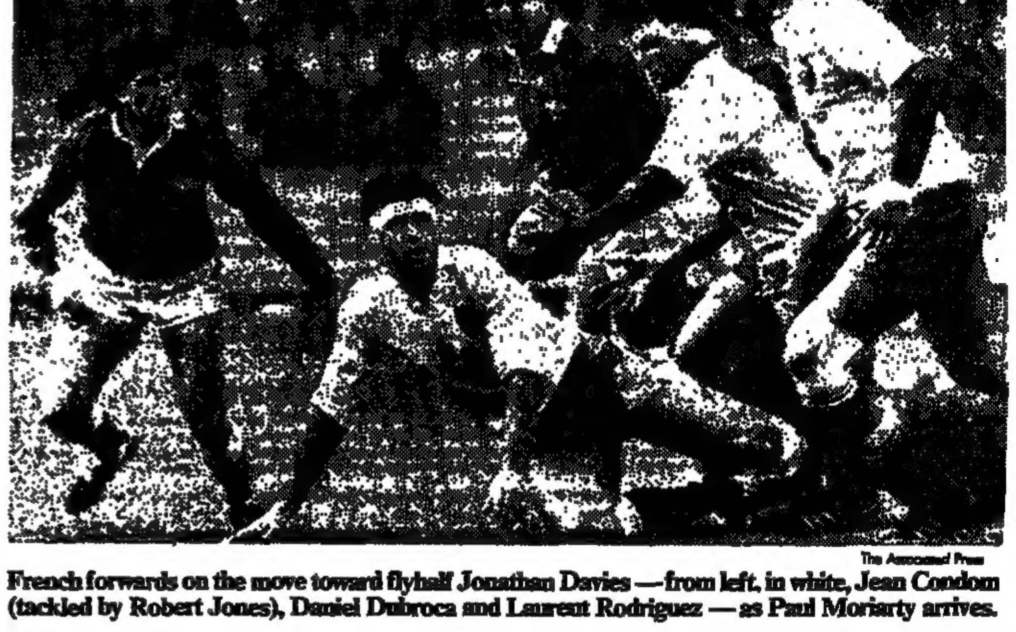
Eric Champ, a 1.96-meter (6-foot-5) flanker, was France's man of the match. Although often foiled at the tail of the lineout by Welsh wiles or inaccurate throws from scrumhalf Pierre Berbizier, he was omnipresent in defense and attack, sometimes withdrawing from the scrum to join the backs. Champ was a crucial link in the attack that produced Mesnel's try. The conversion evened the score at 9-9.

He was again involved 27 minutes later, making ground and passing to Blanco, who fed Bonneval on the left. The wing did some flashy running during the match, but this time it was his power that counted as he wrestled past Davies, Glen Webbe and Dacey to score in the corner. Bérot missed the conversion, but soon put the game on ice with his second penalty goal.

Without great defense — in particular by flanker Pickering and new right wing Webbe, the first black ever to play for Wales — the French would have scored two or three more tries. Other French threats were stymied early by good tackles on big forwards as they started to charge.

French errors were also to blame for the suspense, as when Bérot fumbled as he dove over the Welsh goalline at the end of some expert zigzagging by Berbizier. Coach Fouroux, brushing aside Welsh praise, grumbled that France "has a lot of work to do."

It was France's fifth consecutive defeat of Wales. The last team to do that to Wales was Scotland, from 1923 to 1927.



The Associated Press

French forwards on the move toward flyhalf Jonathan Davies — from left, in white, Jean Condom (tackled by Robert Jones), Daniel Dubroca and Laurent Rodriguez — as Paul Moriarty arrives.

SCOREBOARD

Basketball

U.S. College Results

FRIDAY
EAST

Alfred 92, St. Lawrence 87
Bates 78, Wesleyan 66
Colby 71, Trinity 79
Cornell 86, Penn 74
Hartford 74, Vermont 69
Harvard 106, Brown 90
Ithaca 74, Clarkson 66
Pratt 63, N.Y. Maritime 53
Princeton 64, Columbia 54
Rochester Tech 67, RPI 65
St. John's 85, Bishop Col. 50
Yale 89, Dartmouth 71

SOUTH

Vanderbilt 68, Notre Dame 56
Virginia Union 113, Virginia St. 80

FAR WEST

San Diego 78, Pepperdine 73
San Francisco 99, Portland 74
Santa Clara 70, Gonzaga 61
Wyoming 75, Chicago St. 64

SATURDAY
EAST

Amherst 77, Brandeis 62
Babson 97, Rhode Island Col. 83
Boston U. 82, New Hampshire 58
Bowdoin 81, Thomas 78
Brown 98, Dartmouth 96, OT
Colby 93, Wesleyan 89
Cornell 72, Princeton 56
Fordham 74, Fairfield 70 (comp. susp. game)
Fordham 74, Fairfield 70 (scheduled game)
George Mason 93, American U. 74
George Washington 82, Rutgers 75
Georgetown 87, Villanova 86
Hamilton 90, Union 65
Hobart 75, Clarkson 61
Hofstra 71, Lehigh 69
Hunter 64, CCNY 53
Iona 75, Army 62
La Salle 78, Manhattan 67
Lafayette 70, Drexel 64
Navy 78, Miami (Fla.) 62
Niagara 96, Maine 77
Northeastern 72, Canisius 68
Penn 79, Columbia 72
Pittsburgh 87, Providence 81
Rhode Island 87, Massachusetts 71
St. Peter's 69, Holy Cross 66
Seton Hall 87, Utica 54
Siena 71, Colgate 54
Swarthmore 62, Haverford 49
Syracuse 79, Connecticut 53
Temple 78, St. Joseph's 69
Trinity 78, Bates 75
West Virginia 77, Penn St. 61
Williams 78, Connecticut Col. 72
Yale 106, Harvard 95

SOUTH

Ala.-Birmingham 87, South Alabama 76
Clemson 74, South Carolina 52
Davidson 85, Florida Intl. 59
Duke 76, Maryland 67
Florida 84, Mississippi St. 56
Georgia 75, Auburn 71
Georgia Tech 83, Wake Forest 69
Jacksonville 77, Va. Commonwealth 66
Kentucky 70, Alabama 69
Louisiana St. 60, Tennessee 58
Louisiana Tech 71, McNeese St. 63
Louisville 87, N. Carolina St. 75
Marshall 82, Furman 67
Old Dominion 63, South Florida 52
Richmond 55, N.C.-Wilmington 57
So. Methodist 65, SW Louisiana 52
Tenn.-Chattanooga 79, E. Tennessee St. 78
VMI 65, Citadel 63
Virginia Tech 79, Cincinnati 73
William & Mary 69, East Carolina 65
Youngstown St. 74, Tennessee Tech 65

MIDWEST

Bowling Green 85, Toledo 77
Cent. Michigan 59, E. Michigan 58
DePaul 86, Dayton 65
Illinois 99, Wisconsin 74
Kansas 88, Oklahoma St. 63
Kansas St. 87, Iowa St. 75
Kent St. 82, W. Michigan 65
Loyola (Ill.) 82, Butler 77
Marquette 74, Stetson 68
Memphis St. 82, Bradley 76
Miami (Ohio) 82, Ball St. 81, OT
Ohio St. 81, Cleveland St. 79, OT
Purdue 86, Northwestern 60
Tulsa 84, Drake 53
Wichita St. 90, S. Illinois 67
Xavier (Ohio) 80, Detroit 58

SOUTHWEST

Arkansas 93, Texas Tech 75
Houston 75, Rice 62
Oklahoma 81, Missouri 78
Oral Roberts 69, St. Louis 63
Pan American 112, U.S. International 72
SW Texas St. 71, SE Louisiana 68
Tennessee St. 84, Arkansas St. 83, OT
Texas 78, Baylor 74
Texas-Arlington 95, N. Texas St. 89

FAR WEST

Air Force 81, San Diego St. 77
Boise St. 53, Idaho St. 50
Fullerton St. 88, Long Beach St. 65
Hawaii 73, Colorado St. 58
Iowa 89, Arizona 80
Nebraska 68, Colorado 65
Nev.-Las Vegas 83, San Jose St. 74
Nev.-Reno 78, Montana 65
Oregon 78, Arizona St. 62
Pacific U. 58, Fresno St. 46
Pepperdine 65, St. Mary's (Calif.) 49
Portland 73, Santa Clara 68
San Diego 80, Loyola (Calif.) 82, 2OT
San Francisco 81, Gonzaga 73
Texas-El Paso 93, Brigham Young 91, OT
UCLA 77, California 72
Utah 77, New Mexico 65
Utah St. 104, Cal-Irvine 103
Weber St. 88, Idaho 64

Hockey

National Hockey League Standings

WALES CONFERENCE

Patrick Division	W	L	T	Pts	GF	GA
Philadelphia	34	17	4	72	228	162
NY Islanders	25	23	7	57	189	185
NY Rangers	23	23	8	54	215	211
Washington	22	27	8	52	183	210
New Jersey	22	27	5	49	195	244
Pittsburgh	20	23	8	48	199	194
Adams Division						
Hartford	29	21	6	64	188	181
Boston	28	23	5	61	207	177
Montreal	27	24	7	61	190	182
Quebec	22	27	7	51	182	179
Buffalo	17	31	6	40	180	207

CAMPBELL CONFERENCE

Norris Division	W	L	T	Pts	GF	GA
Detroit	23	24	8	54	176	197
Minnesota	23	24	7	53	207	202
St. Louis	20	23	10	50	180	199
Chicago	20	27	8	48	194	220
Toronto	21	29	5	47	192	209
Smythe Division						
Edmonton	36	15	5	77	261	193
Winnipeg	30	20	5	65	197	187
Calgary	29	24	2	60	215	210
Los Angeles	22	26	6	50	222	225
Vancouver	17	32	7	41	185	221

FRIDAY'S RESULTS

N.Y. Islanders 1 1 1 0—3
Edmonton 2 0 1 0—3
Kurri (35), Messier 2 (26); Bossy (30), Konroyd (4), LaFontaine (6). Shots on goal: N.Y. Islanders (on Fuhr) 12-8-5-6—31; Edmonton (on Hrudey) 5-11-11-0—27.

St. Louis 1 0 1 0—2
Vancouver 0 1 1 0—2
Ronning (5), Lemieux (9); LeMay (7), Lanz (1). Shots on goal: St. Louis (on Caprice) 10-8-8-0—26; Vancouver (on Millen) 11-8-8-0—27.

Minnesota 2 2 0—4
Detroit 0 3 3—6
Klima (19), Yzerman (28), Probert (10), Gallant 2 (27), Barr (8); Ciccarelli (41), Brooke (7), DePalma (5), Payne (3). Shots on goal: Minnesota (on Stefan) 6-7-11—24; Detroit (on Takko) 13-7-14—34.

Hartford 1 1 3—5
Washington 0 1 1—2
Gavin (16), Anderson (17), Turgeon (7), Turgeon (8), Anderson (18); Gartner (23), Murphy (18). Shots on goal: Hartford (on Mason, Peeters) 9-10-7—26; Washington (on Weeks) 6-10-8—24.

Los Angeles 0 0 1—1
Winnipeg 2 2 2—6
Neufeld (11), Small (12), Elliott (10), Hawerchuk (35), Hill (2), MacLean (26); Carson (22). Shots on goal: Los Angeles (on Reddick) 7-10-5—22; Winnipeg (on Melanson) 10-11-10—31.

SATURDAY'S RESULTS

Philadelphia 1 0 1—2
New Jersey 1 0 2—3
Muller (18), Brickley (8), Broten (16); Kerr 2 (42). Shots on goal: Philadelphia (on Chevrier) 20-9-14—43; New Jersey (on Hextall) 10-22-6—38.

Toronto 3 2 0—5
Boston 2 3 2—7
Johnston (9), Thelven 2 (3), Crowder (14), Gradin (11), Neely 2 (25); Leeman (16), Smith (4), Terrion (4), Jackson (6), Thomas (24). Shots on goal: Toronto (on Daskalakis) 11-8-9—28; Boston (on Wregget) 9-14-14—37.

Buffalo 0 1 1—2
Quebec 1 2 2—5
A.Stastny (18), Goulet 2 (32), P.Stastny 2 (17); Housley (12), Tucker (16). Shots on goal: Buffalo (on Gosselin) 5-7-4—16; Quebec (on Barrasso) 9-10-6—25.

N.Y. Rangers 0 2 2 1—5
Washington 0 3 1 0—4
McKegney 2 (23), Duguay (7), Sandstrom 2 (30); Ridley (22), Laughlin 2 (18), Miller (10). Shots on goal: N.Y. Rangers (on Mason) 3-9-9-7—28; Washington (on Vanbiesbrouck) 11-16-13-1—41.

Montreal 0 1 0—1
Hartford 0 2 1—3
Turgeon (9), Evason (16), Dineen (23); Maley (6). Shots on goal: Montreal (on Liut) 12-6-6—24; Hartford (on Roy) 14-15-8—37.

Chicago 0 0 1—1
Pittsburgh 1 2 1—4
Simpson 2 (22), Johnson (5), Frawley (4); Wilson (11). Shots on goal: Chicago (on Meloche) 12-7-4—23; Pittsburgh (on Sauve) 9-8-8—25.

N.Y. Islanders 1 0 0—1
Calgary 2 1 1—4
MacInnis (15), Loob (17), Mullen (22), Wilson (15); Gilbert (5). Shots on goal: N.Y. Islanders (on Vernon) 14-10-11—35; Calgary (on Smith) 11-13-11—35.

Detroit 2 0 3—5
Minnesota 2 1 0—3
Chiasson (1), Klima (20), Veitch (10), Gallant (28), Higgins (7); Gronstrand (1), Acton (11), Maruk (11). Shots on goal: Detroit (on Beaupre) 13-6-10—29; Minnesota (on Stefan) 10-11-7—28.

European Soccer

ENGLISH FIRST DIVISION

Aston Villa 0, Queens Park Rangers 1
Charlton 0, Manchester United 0
Chelsea 2, Sheffield Wednesday 0
Everton 3, Coventry 1
Leicester 3, Wimbledon 1
Newcastle 2, Luton 2
Southampton 1, Norwich 2
Watford 1, Nottingham Forest 1
West Ham 0, Oxford 1

Points standings: Everton 53; Arsenal 52; Liverpool 48; Nottingham Forest 46; Luton, Norwich 43; Tottenham 41; Watford, West Ham, Coventry 37; Wimbledon 36; Sheffield Wednesday 34; Manchester United, Queens Park Rangers 33; Oxford 32; Chelsea 29; Southampton 28; Leicester, Manchester City 27; Charlton 24; Aston Villa 24; Newcastle 22.

ITALIAN FIRST DIVISION

Ascoli 1, Torino 1
Atalanta 1, Milan 2
Como 0, Sampdoria 0
Fiorentina 4, Brescia 3
Inter Milan 2, Udinese 0
Juventus 3, Empoli 0
Napoli 2 Avellino 0
Verona 0 Roma 1

Points standings: Napoli 28; Inter Milan 25; Juventus 24; Roma, Milan 23; Verona 20; Sampdoria, Torino 18; Como 17; Fiorentina 15; Avellino, Empoli 14; Atalanta 12; Brescia, Ascoli 11; Udinese 5.

SPANISH FIRST DIVISION

Sevilla 0, Sabadell 1
Athletic de Bilbao 0, Cadiz 0
Valladolid 0, Mallorca 1
Real Madrid 3, Santander 0
Español 1, Barcelona 1
Murcia 0, Osasuna 0
Las Palmas 0, Real Sociedad 1
Gijon 3, Betis 0
Zaragoza 1, Atletico de Madrid 0

Points standings: Barcelona 39; Real Madrid 37; Español 32; Athletic de Bilbao 28; Mallorca, Atletico de Madrid, Betis 27; Gijon 26; Real Sociedad 25; Sevilla, Valladolid, Murcia 24; Zaragoza 23; Cadiz, Santander 22; Las Palmas 21; Sabadell, Osasuna 20.

Transition

BASEBALL
American League

CLEVELAND—Signed Rick Dempsey, catcher, to a one-year contract.

MINNESOTA—Signed Larry Blackwell and Mark Davidson, outfielders, and Chris Pittaro, infielder.

National League

PITTSBURGH—Signed R.J. Reynolds, outfielder, to a one-year contract.

FOOTBALL
National Football League

ATLANTA—Named Jimmy Raye wide receiver coach and Steve Crosby running back coach.

CINCINNATI—Signed Tom Ehrhardt, quarterback.

HOCKEY
National Hockey League

LEAGUE—Handed down fines totaling $18,400 to the Philadelphia Flyers and the New Jersey Devils for a postgame fight Jan. 24.

PHILADELPHIA—Returned Don Nachbaur, center, to Hershey of the American Hockey League.

COLLEGE

MCNEESE STATE—Announced that Glen Duhon, basketball coach, and his staff will not return next season.

Skiing

World Championships

(At Crans-Montana, Switzerland)

WOMEN'S SLALOM

1. Erika Hess, Switzerland, 1 minute, 33.30 seconds.
2. Roswitha Steiner, Austria, 1:33.55.
3. Mateja Svet, Yugoslavia, 1:34.39.
4. Karin Buder, Austria, 1:34.68.
5. Blanca Fernandez-Ochoa, Spain, 1:35.05.
6. Malgorzata Mogore, France, 1:35.19.
7. Helga Lazak, West Germany, 1:35.27.
8. Dorota Mogore, France, 1:35.41.
9. Eva Twardokens, U.S., 1:35.59.
10. Lesley Beck, Britain, 1:35.98.

MEN'S SLALOM

1. Frank Wörndl, West Germany, 1:00.60-54.03—1:54.63
2. Guenther Mader, Austria, 1:00.96-53.86—1:54.82
3. Armin Bittner, West Germany, 1:00.59-54.44—1:55.03
4. Marc Girardelli, Luxembourg, 1:01.48-53.63—1:55.11
5. Ingemar Stenmark, Sweden, 1:01.06-54.54—1:55.60
6. Bojan Krizaj, Yugoslavia, 1:00.86-54.83—1:55.69
7. Joel Gaspoz, Switzerland, 1:00.92-54.86, and Jean-Daniel Deleze, Switzerland, 1:01.08-54.70—1:55.78
9. Paul Frommelt, Liechtenstein, 1:00.82-55.31—1:56.13
10. Felix McGrath, U.S., 1:01.58-54.71—1:56.29

Tennis

U.S. Pro Indoor

(At Philadelphia)

QUARTERFINALS

Milan Srejber, Czechoslovakia, def. Jimmy Connors, U.S., 6-3, 7-6 (7-0).

John McEnroe, U.S., def. Jakob Hlasek, Switzerland, 6-2, 6-3.

Amos Mansdorf, Israel, def. Karel Novacek, Czechoslovakia, 6-7 (1-7), 6-3, 6-4.

Tim Mayotte, U.S., def. Paul Annacone, U.S., 7-5, 6-4.

SEMIFINALS

Mayotte def. Srejber, 6-2, 6-2.
McEnroe def. Mansdorf, 5-7, 6-2, 6-3.

Figure Skating

EUROPEAN CHAMPIONSHIPS
(At Sarajevo, Yugoslavia)
ICE DANCE: FINAL STANDINGS

1. Natalia Bestemianova and Andrei Bukin, USSR, 2.0 factored placings.
2. Marina Klimova and Sergei Ponomarenko, USSR, 4.0
3. Natalia Annenko and Genrikh Sretensky, USSR, 6.0
4. Kathrin Beck and Christoff Beck, Austria, 8.0
5. Isabelle Duchesnay and Paul Duchesnay, France, 11.6
6. Klara Engi and Attila Toth, Hungary, 11.6
7. Antonia Becherer and Ferdinand Becherer, West Germany, 12.8
8. Sharon Jones and Paul Askham, Britain, 16.0
9. Lia Trovati and Roberto Pelizzola, Italy, 18.0
10. Viera Rehakova and Ivan Havranek, Czechoslovakia, 20.0
11. Corinne Paliard and Didier Courtois, France, 22.0
12. Elizabeth Coates and Alan Abretti, Britain, 22.4
13. Stefania Calegari and Pasquale Camerlengo, Italy, 26.0
14. Honorata Gorna and Andrzej Dostatni, Poland, 27.0
15. Andrea Weppelmann and Hendryk Schamberger, West Germany, 29.0

WOMEN: FINAL STANDINGS

1. Katarina Witt, East Germany, 2.8 factored placings.
2. Kira Ivanova, USSR, 3.8.
3. Anna Kondrashova, USSR, 5.6
4. Claudia Leistner, West Germany, 6.8.
5. Susanne Becher, West Germany, 10.0.
6. Claudia Villiger, Switzerland, 14.4.
7. Tamara Teglassy, Hungary, 14.2.
8. Natalia Skrabnevskaia, USSR, 14.8.
9. Iveta Voralova, Czechoslovakia, 18.4.
10. Agnes Gosselin, France, 20.6.
11. Zeljka Cizmesija, Yugoslavia, 21.6.
12. Gina Fulton, Britain, 22.4.
13. Helena Persson, Sweden, 27.4.
14. Yvonne Pokorny, Austria, 27.8.
15. Stefanie Schmid, Switzerland, 30.8.

AP

Katarina Witt

Pitt Beats Providence, Keeps Lead

United Press International

PROVIDENCE, Rhode Island — Charles Smith scored 25 points and Jerome Lane added 20 here Saturday night to spark No. 16 Pittsburgh to an 87-81 victory over Providence that kept the Panthers atop the Big East.

Pitt, leading the conference with an 8-1 mark, outrebounded the Friars, 58-36; Smith and Lane each pulled down 17.

"They just physically dominated us from the inside," said Providence Coach Rick Pitino. "They're an overpowering team. They really know their strengths, and if they stay out of foul trouble they can go as far as they want."

Pitt never trailed. It opened the second half with a 12-4 spurt, including six points by Demetreus Gore, to boost the lead to 54-43.

Providence closed to 84-80 on a three-pointer by Bill Donovan with 40 seconds left. But a pair of free throws by Mike Goodson, who had 15 points in all, sealed the triumph.

Nevada-Las Vegas 83, San Jose State 74: In San Jose, California, Freddie Banks scored 33 points and Armon Gilliam added 22 to lead top-ranked Nevada-Las Vegas. Banks was 9-of-15 from three-point range.

Iowa 89, Arizona 80: In Tucson, Arizona, Kevin Gamble scored 20 points as fourth-ranked Iowa rallied from a 13-point deficit to defeat its former coach, Lute Olson. The winners shot 61 percent from the field in the second half.

Temple 78, St. Joseph's 69: In Philadelphia, Nate Blackwell hit for 24 points and Tim Perry collected 17 points and 17 rebounds to pace fifth-ranked Temple, which has won 10 straight overall and 31 in a row at home.

Purdue 86, Northwestern 60: In West Lafayette, Indiana, Troy Lewis scored 17 points and Todd Mitchell chipped in 14 to help No. 6 Purdue rout Northwestern. Pulling its starters with 11:27 remaining, Purdue led by as many as 42 points in the second half.

Oklahoma 81, Missouri 78: In Norman, Oklahoma, Tim McCalister hit a three-pointer with six seconds left to lift eighth-ranked Oklahoma over Missouri. The Tigers' Derrick Chievous, who had tied the score 78-78 on an off-balance jumper with 19 seconds remaining, misfired on a desperation 30-footer as time expired.

Kentucky 70, Alabama 69: In Tuscaloosa, Alabama, Ed Davender scored 29 points, including a 10-foot jumper with six seconds to go, rallying Kentucky past ninth-ranked Alabama. The Crimson Tide had a 10-game home winning streak snapped.

Clemson 74, South Carolina 52: In Clemson, South Carolina, Horace Grant fought off a bout of flu to score 24 points and help 13-ranked Clemson down South Carolina. Grant, who connected on six of eight shots from the floor and 12 of 13 from the free-throw line, had been questionable after missing practice during the week.

Duke 76, Maryland 67: In Durham, North Carolina, John Smith scored 22 points and pulled down nine rebounds as Duke, ranked 15th, rallied from a 10-point deficit in the second half.

VANTAGE POINT/ Angus Phillips

No More Masts on the Skyline

Washington Post Service

FREMANTLE, Australia — A daily ritual here for devoted followers of the America's Cup was to wander about town counting masts.

The mast of a 12-meter yacht is distinctive and unmistakable, lordly tall at 90 feet (27.3 meters), gracefully tapered at the tip, supported by a web of spindly shrouds.

By scanning the sky around the docks, one could take a quick reading on who was in port and who was out sailing, who was in the shed making repairs or off on holiday while the boat sat idle.

On Saturday, for the first time in six months, there were no masts on the skyline.

Down at Tom Blackaller's dock, the radical, double-ruddered USA sat in a cradle "on the hard," as old-fashioned Australians call a dry dock. Her deck was sheathed in canvas, her unusual torpedo keel hidden beneath a plywood covering and the hole in the bow where her unique front rudder went was covered in plastic tape.

Next stop Sardinia, for the 12-meter world championships in June.

Stars & Stripes, the smoky blue speedster that Dennis Conner piloted to his historic recapture of the prize he lost in 1983, hung from a lift, her mast removed.

Canada II and Heart of America were cradled and sheathed, ready to go. Kookaburra I sat on the hard at Fremantle Boatlifters, her secret keel hidden by a plywood house with box-like appendages on each side covering its wings.

"Where you're standing right now," said Les Hall, a Fremantle policeman, as he shepherded a mob along the main jetty last week, "a year ago was sea. All this was built for the cup."

Now, the cup is gone. On Saturday, Conner took it aboard a chartered flight to the United States and its ultimate destination, the San Diego Yacht Club, where it will reside for at least the next 3½ years.

Already, however, challengers are lining up for the next shot at yachting's top prize.

Most have learned the lesson Conner gleaned in 1983: that the key to success is using space-age technology to make a faster boat. Not crew work, sails or tactics.

The unsuccessful Australian defender, Iain Murray, who has begun work already on winning back the cup, said Conner had found "a tenth of a knot" more speed than anyone else. And he suggested that, by 1990, yachts that now sail 8.5 knots upwind may have to reach nine knots to win.

It may take a while, though, for the more simple secret of Conner's success to sink in.

"We didn't show all our cards right away," he said on the night of his historic victory. "We had a little bit of tiger left in our tank."

Conner's plan when he arrived was to bumble along in mid-pack, sizing up the opposition while hiding his boat's true capability until it was too late for anyone to match it.

□

By November, that was exactly where he stood, before minor ballast changes left Stars & Stripes helpless in breezes below 12 knots. In three days she lost to Canada II and White Crusader, and nearly lost to lowly Azzurra.

In December's round-robin, an improved Stars & Stripes regained second place. Then, before the semifinal best-of-seven series began, Conner authorized three major changes that turned his boat from competitive to superior.

New wings were fitted to the keel, a new, more efficient rudder was installed and the bottom was coated with an experimental grooved plastic film that Conner hoped would reduce drag by 4 to 6 percent.

None of the changes had been pretested on the boat, but when Stars & Stripes took the water again, she was a different creature.

"It's the old risk-to-reward ratio," said tactician Tom Whidden. "No risk, no reward."

Conner barely won the first race against Blackaller, coming from behind on the last leg to nip USA at the finish. But from that point on, he was nearly untouchable.

Over the next 12 races, Conner never trailed at the first mark and only once trailed after that mark. His only loss was to New Zealand, when a crew error sent the spinnaker tumbling to the deck at a crucial moment early in the third race.

The strategy of holding back and improving a boat during the late stages of the regatta is new to the cup, and probably reflects as big a contribution to the complex game as Conner's reliance on technology for hull development.

Politics and deception have always been a part of cup racing, but no one ever deceived the opposition as effectively as Conner.

And what of the others?

The New Zealanders, representing a tiny country of 3.4 million, enlivened the event with their unique fiberglass boat and their cocky, 25-year-old skipper, Chris Dickson. He lost but once in the first three months of competition.

But it was Dickson who came apart in the end, nearly dismasting his boat with an uncontrolled jibe in the fourth race against Conner, then hitting the last buoy in the final race to end his chances.

Blackaller stirred things up with double-ruddered USA, which he described as "a new approach to the core physics of sailing."

Blackaller spent half the summer trying to control his weird beast, which instead of a keel had a 40,000-pound torpedo of lead suspended from a strut. The only way to keep USA from slipping sideways was to keep the two rudders synchronized.

But the big seas off Fremantle, which yanked the front rudder half out of the water when the boat pitched, rendered it ineffective.

By the end of the regatta Blackaller was coming close gaining control, and many think that in calmer water the USA approach, further refined, may still prove superior to conventional or winged keels.

The collapse of the season was America II, the New York Yacht Club's well-financed entry, which didn't survive to the semifinals.

America II was a design mistake, the sailors all agreed, built too small for the big winds and seas of the Indian Ocean. How that mistake could happen after the syndicate spent two years in Fremantle preparing for the cup — more time than any other campaign — is a mystery.

As for the Australians, cupholder Alan Bond and his chief rival, Kookaburra chairman Kevin Parry, were old business enemies. They bickered and feuded over rules and publicity while the cup slipped slowly from their grasp.

In the end, the cup was lost. Fremantle is spinning back to sleepy normalcy. The days grow shorter as fall approaches. And the wind is howling out on the Indian Ocean, the most exciting place ever to see an America's Cup.

Mitchell Parish: A Lyricist's 'Stardust' Memories

By Stephen Holden
New York Times Service

NEW YORK — Fifty-eight years ago, when Mitchell Parish was handed Hoagy Carmichael's melody for "Stardust," he had no idea that their collaboration would result in a song that is still widely regarded as the quintessential American pop standard.

"The melody was given to me as a swing tune, but I heard it as a smooth romantic mood piece," the 86-year-old lyricist recalled recently in his Manhattan apartment. "The song wasn't an overnight hit, because it didn't fit into the 32-bar format that orchestras liked at the time. Hoagy and I wrote other songs together, including 'Riverboat Shuffle' and 'One Morning in May.' In fact, many people, including Hoagy's mother, preferred 'One Morning in May' to 'Stardust,' which didn't really become a standard until the 1940s."

Sung with a wistful, penetrating clarity by the cabaret singer Michele Bautier in the new musical revue, "Stardust," Carmichael's and Parish's beautiful paean to romantic nostalgia is a high point of a show that celebrates Parish's songwriting legacy.

In the show, six singer-actor-dancers perform more than 30 songs spanning four decades, all with lyrics by Parish. Selected from a published output of more than 600 tunes, some of the more famous titles include "Sweet Lorraine" (1928), "Sophisticated Lady" (1933), "Stars Fell on Alabama" (1934), "Deep Purple" (1934), "Stairway to the Stars" (1935), "Moonlight Serenade" (1939), "Sleigh Ride" (1948), "Ruby" (1953) and "Volaré" (1958).

"Carolina Rolling Stone," the earliest song in the show, dates from 1921. The most recent is Domenico Modugno's "Ciao, Ciao Bambino" (1959), one of several European hits for which Parish wrote American lyrics.

In "Stardust," Parish's more recent songs, including several collaborations with Leroy Anderson, are performed as part of a fictitious television variety show, "Cavalcade of Hits," a spoof of "Your Hit Parade," that includes vintage cigarette commercials.

Pop songwriting, which today is geared overwhelmingly toward records rather than live performance, has changed drastically from the era when Parish, who was born in Lithuania and brought up on Manhattan's Lower East Side, began plying his trade.

"When I was growing up, there were penny arcades with Edison discs all around the Lower East Side, in which you deposited a cent and put on earphones to hear the newest songs. From reading the title pages I learned who wrote what.

"I started songwriting when I was around 17, producing what was called 'special material' for vaudeville acts. Usually it was additional lyrics for a song that was already popular, because in the days of vaudeville, different versions of songs were written for specific performers and occasions. There would be one version for a boy and girl, another for two men, and even ethnic versions."

Parish's first steady employer was the publisher Jack Mills, who signed him to his company, Mills Music, for $12 a week to write comedy lyrics with punch lines by day and to be a song plugger by night.

"My job as a song plugger would be to go to vaudeville houses where I would try to sell special material to the top acts," Parish remembered. "A ticket to the second balcony at a theater on 14th Street cost *15 cents. I would go up and catch the* act and afterward tip the stage doorman a nickel cigar to let me backstage. We also used the special material to lure the vaudeville stars to the publisher's office where he would try to sell the ballads, which were considered to be the money songs."

Parish's first hit, "Carolina Rolling Stone," was recorded by the vaudeville musical comedy team of Van & Schenck for Columbia Records. "As soon as I heard the record, I caught the songwriting fever once and for all and decided I belonged on Tin Pan Alley — you couldn't tear me away from the profession after that.

"In those days, a publisher had what is known as a professional floor, a wide area with benches where songwriters could sit around and talk shop. A lyric writer might *tell* a composer that he had a title idea, and they would immediately find a cubbyhole and get down to work."

Parish estimates he collaborated with at least a hundred composers over the years. "In many cases, I was given both a tune and a title. Sometimes I would write a 'dummy' lyric, with words that didn't mean anything, in order to get the rhythmic flow. Then I would come up with the actual words. Occasionally a dummy lyric ends up being the final lyric. Irving Caesar's 'Tea for Two' is a famous example.

"Once I had a title, I would take it home, walk around with it for awhile to let it percolate and then sit down to write. The actual writing time was usually a half hour to an hour. I didn't believe in laboring over a lyric too much, because the song would sound too worked over."

Parish found working with a predetermined title to be a nuisance, albeit one that sometimes yielded artistic dividends. In the lyrics of both "Stardust," and "Sophisticated Lady," the song titles aren't repeated in the catch phrases of the chorus but occur almost incidentally in the narrative, helping to sustain the smooth natural flow of imagery. "Stardust" is especially striking in the way the verse seems to begin in the middle of a thought: ". . . And now the purple dust of twilight time, steals across the meadows of my heart."

Carmichael wrote and recorded the melody for "Stardust" *in 1927* as a jazz instrumental heavily influenced by Bix Beiderbecke. Parish wrote the lyric in 1929, and it became a hit the following year in a recording by Isham Jones, the tenor saxophonist, bandleader and songwriter ("I'll See You in My Dreams," "It Had to Be You"). The following year Bing Crosby and Louis Armstrong had hit versions of the song.

"Stardust," often changed to "Star Dust" in later arrangments, languished for five years until the dawn of the swing era when Benny Goodman and Tommy Dorsey had hit versions released back-to-back on the same Victor 78-rpm single. In late 1940, Artie Shaw recorded his classic version of 'Stardust,' featuring Billy Butterfield's famous trumpet solo. Its popularity coincided with Tommy Dorsey's re-recorded version featuring Frank Sinatra and the Pied Pipers.

The song has had three other commercially significant lives, each in a totally different style. In 1957, it was a million-selling rhythm-and-blues ballad hit for Billy Ward and the Dominoes. In the same year, given a luscious orchestral arrangement by Gordon Jenkins, it was *the centerpiece of Nat (King) Cole's most* successful album, "Love Is the Thing." Of all the recorded versions of "Stardust," Cole's is Parish's favorite. In 1978, Willie Nelson revived "Stardust" as a country-swing ballad, making it the title of a three-million selling album.

Parish estimates that over the years "Stardust" may have earned him $1 million. "I could live on the royalities from that one song, but not opulently. Except in rare instances, songwriting, in my era, was not an occupation that one expected to bring great wealth."

Parish is somewhat rueful, though no longer bitter, over the fact that although he wrote the lyrics for Duke Ellington's "Mood Indigo," which was published in 1931, Irving Mills (Jack Mills's brother and publishing partner) took credit.

Even with a steady flow of hits, Parish felt compelled to take a day job to help support his family. For 10 years, from 1935 to 1945, he worked as a county clerk, swearing in witnesses at criminal court trials.

Filled with moonlight, stars, and often bathed in a mystically hushed aura of twilight, Parish's lyrics stand among the most romantic verses ever applied to popular melodies.

"Though my life hasn't been romantic, I admit to being a sentimental soul," he reflected. "The poetry and music I've admired most — Swinburne, Shelley and Byron and old songs like 'Silver Threads Among the Gold,' and much of Stephen Foster — are very sentimental. Even now, I'm entranced by old movies and newsreels that show Paris at the turn of the century.

"Growing up on the Lower East Side, we didn't see stars. I don't want to psychoanalyze myself, but I sometimes think that all those song lyrics about the moon and stars represented an escape. They expressed a longing for what I couldn't see."

Gerry Goodstein

The cast of "Stardust" (above), a revue that pays homage to the lyricist Mitchell Parish (right).

Christopher Little/The New York Times

LANGUAGE

Ungilding the Lily

By William Safire

WASHINGTON — Reading Richard Kluger's history of The New York Herald Tribune, "The Paper," called to mind Beach Conger, the Trib editor who read my copy in the late 1940s. I wrote of somebody *gilding the lily*, and he changed it to *painting the lily*, pointing to the line in Shakespeare's "King John": "To gild refined gold, to paint the lily."

In my first usage fight, I argued that "Everybody says *gilding the lily* — that's the expression," and that any copy-desk requirement that the idiomatic phrase be used strictly as originated was arrant pedantry. (The dour Conger destroyed my village by countering that *arrant pedantry* was a cliché.)

That misquoted metaphor, now so ingrained in the language as to be a nonsolecism, was consciously avoided a hundred times in my life. But what worries me now — and what should worry you, if you don't want to be afflicted with a similar *klong* (a word coined by Frank Mankiewicz to describe "a sudden rush of crud to the heart") in later life — is this: How many other citations that are not quite right are we carrying around in our heads?

Once more into the breach, my friends. But when it came to using that quotation from Shakespeare's "Henry V" in a piece making predictions for the coming year, I had to stop and think: how do you spell that opening into which Henry was urging his troops — *breech* or *breach?*

Both words are rooted in the Indo-European word for *break.* A *breech* is a rump, so called because the anatomy's posterior, with its split between buttocks, appeared to the literal-minded to be broken. Accordingly, the *breech of a gun* is the back end, the part behind the barrel; a *breech delivery* is with the baby's backside first, and a cub reporter occasionally gets *too big for his breeches,* or trousers.

The Geneva Bible of 1560 became known to book collectors as the Breeches Bible because of its depiction of Adam and Eve in Genesis 3:7: "They sewed figge leaves together, and made themselves breeches." Although the earlier Wyclif Bible used the same word with the variant spelling *brechis,* it was the Geneva Bible that gained the nickname; the later King James Version substituted *aprons* for *breeches.* Modern dictionaries usually include *breeches* as well as the variant *britches.*

A *breach,* spelled with an *a,* is a break that causes a fissure, gap or opening — whether between wings of an army, between nations breaking relations, or between a leaping whale and the water it springs out of. (Ahab blanched when Moby Dick *breached.*)

Breach in the sense of "break" is perhaps most familiar in the phrase *breach of promise.* Now usually reserved for reneging on an agreement to marry, this phrase originally applied to any broken promise.

The earliest citation is found in Shakespeare's "The Comedy of Errors": "Good Lord! you use this dalliance to excuse / Your breach of promise to the Porpentine." A more famous Shakespearean *breach* occurs in "Hamlet." In a passage well known for the phrase *to the manner born* (that's how Shakespeare spelled it, not *manor,* but perhaps he intended a pun), Hamlet comments on the local tradition of rowdy drinking that "to my mind, though I am native here / And to the manner born, it is a custom / More honour'd in the breach than the observance." In other words, it is a habit better breached, or broken, than kept.

With this background, I concluded that the military word I had in mind was spelled "into the *breach,*" my friends.

But wait — did Shakespeare get it right? In this passage, fortunately, the First Folio (no longer the last word on what Shakespeare wrote, but 'tis enough, 'twill do) has the word spelled properly: *breach.*

However *(klong),* I now see the line reads not "*my* friends" but "*dear* friends," and worse — *(klong klong!)* — the correct version goes, "Once more *unto* the breach, dear friends."

Who would have figured that Will Shakespeare, in need of a syllable to balance a line, would have rejected the simple *into* and turned to a poetic variant of *to,* now archaic and written *unto?*

Some arrant pedants would make a point of the way usage has worn down Shakespeare's phrase to "into the breach, my friends," but they would be painting the lily, as they like to say.

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